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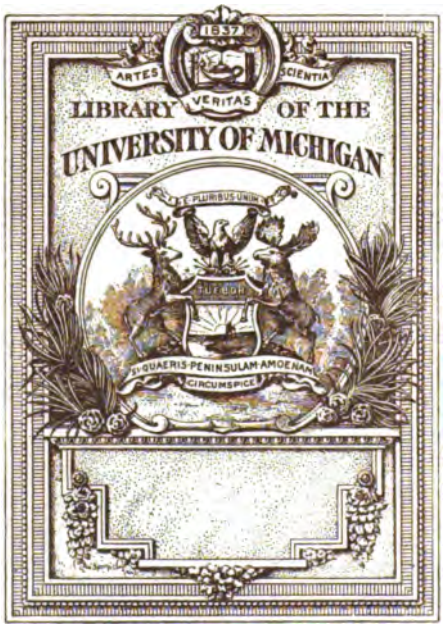
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THE WORKS AND LIFE OF WALTER BAGEHOT

VOL. VII.

THE WORKS AND LIFE

OF

WALTER BAGEHOT

EDITED BY

MRS. RUSSELL BARRINGTON

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ADAM SMITH AS A PERSON.

(1876.)

Of Adam Smith's Political Economy almost an infinite quantity has been said, but very little has been said as to Adam Smith himself. And yet not only was he one of the most curious of human beings, but his books can hardly be understood without having some notion of what manner of man he was. There certainly are economical treatises that go straight on, and that might have been written by a calculating machine. But *The Wealth of Nations* is not one of these. Any one who would explain what is in it, and what is not in it, must apply the "historical method," and state what was the experience of its author and how he worked up that experience. Perhaps, therefore, now that there is a sort of centenary of Adam Smith, it may not be amiss to give a slight sketch of him and of his life, and especially of the peculiar points in them that led him to write the book which still in its effects, even more than in its theory, occupies mankind.

The founder of the science of business was one of the most unbusinesslike of mankind. He was an awkward Scotch professor, apparently choked with books and absorbed in abstractions. He was never engaged in any sort of trade, and would probably never have made sixpence by any if he had been. His absence of mind was amazing. On one occasion, having to sign his name to an official document, he produced not his own signature, but an elaborate imitation of the signature of the person who signed before him; on another, a sentinel on duty having saluted him in military fashion, he astounded and offended the man by acknowledging it with a copy—a very clumsy copy, no doubt—of the same gestures. And Lord

Brougham preserves other similar traditions. "It is related," he says, "by old people in Edinburgh that while he moved through the Fishmarket in his accustomed attitude—that is with his hands behind his back, and his head in the air—a female of the trade exclaimed, taking him for an idiot broken loose, "Hech, sirs, to see the like o' him to be aboot. And yet he is weel eneugh put on" (dressed). It was often so too in society. Once, during a dinner at Dalkeith, he broke out into a lecture on some politics of the day, and was bestowing a variety of severe epithets on a statesman, when he suddenly perceived the nearest relative of the politician he was criticising, sitting opposite, and stopped; but he was heard to go on muttering, "Deil care, Deil care, it's all true". And these are only specimens of a crowd of anecdotes.

The wonder that such a man should have composed *The Wealth of Nations*, which shows so profound a knowledge of the real occupations of mankind, is enhanced by the mode in which it was written. It was not the exclusive product of a lifelong study, such as an absent man might, while in seeming abstraction, be really making of the affairs of the world. On the contrary, it was in the mind of its author only one of many books, or rather a single part of a great book, which he intended to write. A vast scheme floated before him, much like the dream of the late Mr. Buckle as to a History of Civilisation, and he spent his life accordingly, in studying the origin and progress of the sciences, the laws, the politics, and all the other aids and forces which have raised man from the savage to the civilised state. The plan of Adam Smith was indeed more comprehensive even than this. He wanted to trace not only the progress of the race, but also of the individual; he wanted to show how each man being born (as he thought) with few faculties, came to attain to many and great faculties. He wanted to answer the question, how did man—race or individual—come to be what he is? These immense dreams are among the commonest phenomena of literary history; and, as a rule, the vaster the intention, the less the result. The musings of the author are too miscellaneous, his studies too scattered, his attempts too incoherent, for him to think out

anything valuable, or to produce anything connected. But in Adam Smith's case the very contrary is true; he produced an enduring particular result in consequence of a comprehensive and diffused ambition. He discovered the laws of wealth in looking for "the natural progress of opulence"; and he investigated the progress of opulence as part of the growth and progress of all things.

The best way to get a distinct notion of Adam Smith's scheme is to look at the other works which he published besides *The Wealth of Nations*. The greatest, and the one which made his original reputation, was *The Theory of Moral Sentiments*, in which he builds up the whole moral nature of man out of a single primitive emotion—sympathy; and in which he gives a history of ethical philosophy besides. With this are commonly bound up *Some Considerations concerning the first Formation of Languages*, which discuss how "two savages who had never been taught to speak, but had been bred up remote from the society of man, would naturally begin their converse". Then there is a very curious *History of Astronomy*, left imperfect; and another fragment on the *History of Ancient Physics*, which is a kind of sequel to that part of the *History of Astronomy* which relates to the ancient astronomy; then a similar essay on *Ancient Logic and Metaphysics;* then another on the nature and development of the Fine—or, as he calls them, *The Imitative Arts—Painting, Poetry, and Music*, in which was meant to have been included a history of the Theatre—all forming part, his executors tell us, "of a plan he had once formed for giving a connected history of the liberal and elegant arts". And he destroyed before his death the remains of the book, *Lectures on Justice*, "in which," we are told by a student who heard them, "he followed Montesquieu in endeavouring to trace the gradual progress of jurisprudence, both public and private, from the rudest to the most refined ages, and to point out the effects of those arts which contribute to subsistence and to the accumulation of property in producing correspondent alterations in law and government"; or, as he himself announces it at the conclusion of *The Moral Sentiments*, "another discourse" in which he designs "to endeavour to give an account of the

general principles of law and government, and of the different revolutions they have undergone in the different ages and periods of society, not only in what concerns justice, but in what concerns police, revenue, and arms, and whatever else is the subject of law". Scarcely any philosopher has imagined a vaster dream.

Undoubtedly it is a great literary marvel that so huge a scheme, on so many abstract subjects, should have produced anything valuable, and still more so that it should have produced what has been for a whole century a fundamental book on trade and money—at first sight, the least fit for a secluded man to treat at all, and which, if he did treat of them, would seem more than any other to require from him an absorbed and exclusive attention. A little study of the life of Adam Smith, however, in some degree lessens the wonder; because it shows how in the course of his universal studies he came to meet with this particular train of thought, and how he came to be able to pursue it effectually.

Adam Smith was born early in the first half of the eighteenth century, at Kirkcaldy in Scotland, on 5th June, 1713. His father died before he was born; but his mother, who is said to have been a woman of unusual energy and ability, lived to be very old, and to see her son at the height of his reputation as a philosopher. He was educated at school in the usual Scotch way, and at the University of Glasgow; and at both he is said, doubtless truly, to have shown an unusual facility of acquisition, and an unusual interest in books and study. As we should also expect, a very strong memory, which he retained till the last, showed itself very early. Nothing, however, is known with precision as to the amount of knowledge he acquired in Scotland, nor as to his place among his contemporaries. The examination system, which nowadays in England discriminates both so accurately, has in Scotland never been equally developed, and in Adam Smith's time had never been heard of there at all.

His exceptional training begins at the next stage. There is at the University of Glasgow a certain endowment called the Snell exhibition, after the name of its founder, which enables

the students selected for it to study for some years at the University of Oxford. Of these exhibitioners Adam Smith became one, and as such studied at Oxford for as many as seven years. As might be expected, he gave the worst account of the state of the university at that time. In the sketch of the history of education which forms so odd an episode in *The Wealth of Nations*, he shows perpetually that he thought the system which he had seen at Oxford exceedingly bad, and its government excessively corrupt. "If," he says, "the authority to which a teacher is subject resides in the body corporate of the college or university of which he is himself a member, and in which the greater part of the other members are, like himself, persons who either are or ought to be teachers, they are likely to make a common cause, to be all very indulgent to one another, and every man to consent that his neighbour may neglect his duty, provided he is himself allowed to neglect his own. In the University of Oxford the greater part of the public professors have for these many years given up altogether even the pretence of teaching." And he adds, "In England, the public schools are much less corrupted than the universities. In the schools, the youths are taught, or at least may be taught, Greek and Latin. That is everything which the masters pretend to teach, or which it is expected they should teach. In the universities, the youth neither are taught, nor can always find the means of being taught, the sciences which it is the business of these incorporated bodies to teach." And he retained through life a fixed belief that endowments for education tended only to the "ease" of the teacher, and not to the advantage of the learner. But though he says he had the means of learning little at Oxford, he certainly, in fact, learnt much. "Greek," as Sydney Smith says, "never crossed the Tweed in any force"; but Adam Smith incessantly shows a real familiarity with Greek books and a sound accumulation of Greek learning. Very likely his erudition would not bear much comparison with what is now carried away from Balliol. If we compare him with a more recent Snell exhibitioner, Sir William Hamilton, we shall see that Greek teaching has enormously advanced in the time between them; but, on the other hand, if we compare Adam Smith with

Scotch philosophers of purely Scotch education, say with Reid or Hume, we cannot help seeing that his acquaintance with Greek things belongs, both in quantity and in quality, to an order altogether superior to theirs.

For the vast works which Adam Smith contemplated, a sound knowledge of Greek was, as he must have felt, far more necessary than any other kind of knowledge. The beginnings of nine-tenths of all philosophy are to be found there, and the rudiments of many other things. But for the purpose of the great task which he actually performed, Adam Smith learned at Oxford something much more valuable than Greek. He acquired there a kind of knowledge and sympathy with England, in which the other eminent Scotchmen—especially literary Scotchmen—of his time were often very deficient. At that time the recollection of the old rivalry between the two countries had by no means died away; there was still a separate Scotch philosophy, and a separate literature; and when it happened, as it perpetually did, that Scotch writers were not thought so much of in England as they thought they ought to be, they were apt to impute their discredit to English prejudice, and to appeal to France and Paris to correct the error. Half Hume's mind, or more than half, was distorted by his hatred of England and his love of France. He often could not speak of English things with tolerable temper, and he always viewed French ones with extravagant admiration. Whether Adam Smith altogether liked this country may perhaps be doubted—Englishmen then hated Scotchmen so much—but he had no kind of antagonism to her, and quite understood that in most economical respects she was then exceedingly superior to France. And this exceptional sympathy and knowledge we may fairly ascribe to a long and pleasant residence in England. For his great work no qualification was more necessary; *The Wealth of Nations* would have been utterly spoiled if he had tried (as Hume incessantly would have tried) to show that, in industrial respects, England might not be better than France, or at any rate was not so very much better.

The Snell foundation at Oxford has often been an avenue to the English Church, and it seems to have been intended that

Adam Smith should use it as such. The only anecdote which remains of his college life may be a clue to his reasons for not doing so. He is said to have been found by his tutor in the act of reading Hume's *Philosophical Essays*, then lately published, and to have been reproved for it. And it is certain that any one who at all sympathised with Hume's teaching in that book would have felt exceedingly little sympathy with the formularies of the Church of England, even as they were understood in the very Broad Church of that age. At any rate, for some reason or other, Adam Smith disappointed the wishes of his friends, gave up all idea of entering the Church of England, and returned to Scotland without fixed outlook or employment. He resided, we are told, two years with his mother, studying no doubt, but earning nothing, and visibly employed in nothing. In England such a career would probably have ended in his writing for the booksellers, a fate of which he speaks in *The Wealth of Nations* with contempt. But in Scotland there was a much better opening for philosophers. The Scotch universities had then, as now, several professorships very fairly paid, and very fairly distributed. The educated world in Scotland was probably stronger a century ago than it ever was before or since. The Union with England had removed the aristocracy of birth which overshadowed it before, and commerce had not yet created the aristocracy of wealth which overshadows it now. Philosophical merit had therefore then in Scotland an excellent chance of being far better rewarded than it usually is in the world. There were educated people who cared for philosophy, and these people had prizes to give away. One of those prizes Adam Smith soon obtained. He read lectures, we are told, under the patronage of Lord Kames, an eminent lawyer, who wrote books on philosophy that are still quoted, and who was no doubt deeply interested in Adam Smith's plans of books on the origin and growth of all arts and sciences, as these were the topics which he himself studied and handled. Contrary to what might have been expected, these lectures were very successful. Though silent and awkward in social life, Adam Smith possessed in considerable perfection the peculiarly Scotch gift of abstract oratory. Even

in common conversation, when once moved he expounded his favourite ideas very admirably. As a teacher in public he did even better: he wrote almost nothing, and though at the beginning of a lecture he often hesitated, we are told, and seemed "not sufficiently possessed of the subject," yet in a minute or two he became fluent, and poured out an interesting series of animated arguments. Commonly, indeed, the silent man, whose brain is loaded with unexpressed ideas, is more likely to be a successful public speaker than the brilliant talker who daily exhausts himself in sharp sayings. Adam Smith acquired great reputation as a lecturer, and in consequence obtained two of the best prizes then given to philosophers in Scotland—first the professorship of logic, and then that of moral philosophy, in the University of Glasgow.

The rules, or at any rate the practice, of the Scotch universities, seem at that time to have allowed a professor in either of these chairs great latitude in the choice of his subject. Adam Smith during his first year lectured on rhetoric and *belles lettres* "instead of on logic," and in the chair of moral philosophy he expounded, besides the theory of duty, a great scheme of social evolution. The beginnings of *The Wealth of Nations* made part of the course, but only as a fragment of the immense design of showing the origin and development of cultivation and law; or, as we may perhaps put it, not inappropriately, of saying how, from being a savage, man rose to be a Scotchman. This course of lectures seems to have been specially successful. So high, we are told, was his reputation as a professor, "that a multitude of students from a great distance resorted to the university merely upon his account. Those branches of science which he taught became fashionable" in the city, "and his opinions were the chief topics of discussion in clubs and literary societies. Even the small peculiarities of his pronunciation and manner of speaking became frequently the objects of imitation." This is the partial recollection of an attached pupil in distant years;—it may be over-coloured a little—but even after a fair abatement it is certainly the record of a great temporary triumph and local success.

That the greater part of the lectures can have been of much

intrinsic merit it is not now easy to believe. An historical account "of the general principles of law and government, and of the different revolutions which they have undergone in the different ages and periods of society," would be too great a task for a great scholar of the ripest years and with all the accumulated materials of the present time, and it was altogether beyond the strength of a young man a century ago;—not to say that he combined it with an account of the origin of the moral faculties, a theory of *belles lettres*, and other matters. The delivery of that part of the course which was concerned with wealth and revenue may have been useful to him, because it compelled him to bring his ideas on those subjects into a distinct form. Otherwise, being a bookish man, he might have been too absorbed in bookish matters, and neglected what can only be taught by life for that which is already to be learned from literature. But at the time this was only a minor merit;—the main design of the lectures was only an impossible aim at an unbounded task.

So complex, however, is life, that this Scotch professorship, though in a superficial view wasteful, and likely to exhaust and hurt his mind by demanding the constant efflux of inferior matter, was, nevertheless, on the whole, exceedingly useful. It not only induced him to study as a part of his vast scheme the particular phenomena of wealth, but it gave him an excellent opportunity of seeing those phenomena and of learning how to explain them. It was situated at Glasgow; and Glasgow, though a petty place in comparison with its present magnitude, was nevertheless a considerable mercantile place according to the notions of those times. The Union with England had opened to it the trade with our West Indian colonies, as well as with the rest of the English empire, and it had in consequence grown rapidly and made large profits. That its size was small, as we should think now, was to a learner rather an aid than a disadvantage. A small commerce is more easily seen than an immense one; that of Liverpool or London is now so vast that it terrifies more than excites the imagination. And a small commerce, if varied, has almost as much to teach as a large one; the elements are the same though the figures are

smaller, and the less the figures the easier are they to combine. An inspection of Liverpool now would not teach much more than an inspection of Glasgow a hundred years ago, and the lessons of modern Liverpool would be much more difficult to learn. But the mere sight of the phenomena of Glasgow commerce was but a small part of the advantage to Adam Smith of a residence at Glasgow. The most characteristic and most valuable tenets of Adam Smith are, when examined, by no means of a very abstract and recondite sort. We are, indeed, in this generation not fully able to appreciate the difficulty of arriving at them. We have been bred up upon them; our disposition is more to wonder how any one could help seeing them, than to appreciate the effort of discovering them. Experience shows that many of them—the doctrine of Free Trade for example—are very uncongenial to the untaught human mind. On political economy the English-speaking race is undoubtedly the best instructed part of mankind; and, nevertheless, in the United States and in every English-speaking colony, Protection is the firm creed of the ruling classes, and Free Trade is but a heresy. We must not fancy that any of the main doctrines of Adam Smith were very easily arrived at by him because they seem very obvious to us. But, on the other hand, although such doctrines as his are too opposed to many interests and to many first impressions to establish themselves easily as a dominant creed, they are quite within the reach and quite congenial to the taste of an intelligent dissenting minority. There was a whole race of mercantile Free Traders long before Adam Smith was born; in his time the doctrine was in the air; it was not accepted or established;—on the contrary, it was a tenet against which a respectable parent would probably caution his son; —still it was known as a tempting heresy, and one against which a warning was needed. In Glasgow there were doubtless many heretics. Probably in consequence of the firm belief in a rigid theology, and of the incessant discussion of its technical tenets, there has long been, and there is still, in the South of Scotland, a strong tendency to abstract argument quite unknown in England. Englishmen have been sometimes laughing at it, and sometimes gravely criticising it for several

generations: Mr. Buckle wrote half a volume on it: Sydney Smith alleged that he heard a Scotch girl answer in a quadrille, "But, my lord, as to what ye were saying as to love in the *aib*stract," and so on. Yet, in spite both of ridicule and argument, the passion for doctrine is still strong in southern Scotland, and it will take many years more to root it out. At Glasgow in Adam Smith's time it had no doubt very great influence; a certain number of hard-headed merchants were believers in Free Trade and kindred tenets. One of these is still by chance known to us. Dr. Carlyle, whom Mr. Gladstone not unhappily described as a "gentleman clergyman" of the Church of Scotland, tells us of a certain Provost Cochrane, to whom Adam Smith always acknowledged his obligations, and who was the founder and leading member of a club "in which the express design was to inquire into the nature and principles of trade in all its branches, and to communicate their knowledge on that subject to each other". From this club Adam Smith not only learned much which he would never have found in any book, but also in part perhaps acquired the influential and so to say practical way of explaining things which so much distinguishes *The Wealth of Nations*. Mr. Mill says he learned from his intercourse with East India directors the habit of looking for, and the art of discovering, "the mode of putting a thought which gives it easiest admittance into minds not prepared for it by habit!" and Adam Smith probably gained something of this sort by living with the Glasgow merchants, for no other book written by a learned professor shows anything like the same power of expressing and illustrating arguments in a way likely to influence minds like theirs. And it is mainly by his systematic cultivation of this borderland between theory and practice that Adam Smith attained his pre-eminent place and influence.

But this usefulness of his Scotch professorship was only in the distant future. It was something for posterity to detect, but it could not have been known at the time. The only pages of his professorial work which Adam Smith then gave to the public were his lectures on Moral Philosophy, in what an Englishman would consider its more legitimate sense.

These formed the once celebrated *Theory of Moral Sentiments*, which, though we should now think them rather pompous, were then much praised and much read. For a great part, indeed, of Adam Smith's life they constituted his main title to reputation. *The Wealth of Nations* was not published till seventeen years later; he wrote nothing else of any importance in the interval, and it is now curious to find that when *The Wealth of Nations* was published, many good judges thought it not so good as *The Theory of Moral Sentiments*, and that the author himself was by no means certain they were not right.

The Theory of Moral Sentiments was, indeed, for many years, exceedingly praised. One sect of philosophers praised it, as it seems to me, because they were glad of a celebrated ally, and another because they were glad of a celebrated opponent: the first said, "See that so great an authority as Adam Smith concurs with us"; and the second replied, "But see how very weak his arguments are; if so able an arguer as Adam Smith can say so little for your doctrines, how destitute of argumentative grounds those doctrines must be". Several works in the history of philosophy have had a similar fate. But a mere student of philosophy who cares for no sect, and wants only to know the truth, will nowadays, I think, find little to interest him in this celebrated book. In Adam Smith's mind, as I have said before, it was part of a whole; he wanted to begin with the origin of the faculties of each man, and then build up that man—just as he wished to arrive at the origin of human society, and then build up society. His *Theory of Moral Sentiments* builds them all out of one source, sympathy, and in this way he has obtained praise from friends and enemies. His friends are the school of "moral sense" thinkers, because he is on their side, and believes in a special moral faculty, which he laboriously constructs from sympathy; his enemies are the Utilitarian school, who believe in no such special faculty, and who set themselves to show that his labour has been in vain, and that no such faculty has been so built up. One party says the book is good to gain authority for the conclusion, and the other that you may gain credit by refuting its arguments. For unquestionably its arguments *are* very weak,

and attractive to refutation. If the intuitive school had had no better grounds than these, the Utilitarians would have vanquished them ages since. There is a fundamental difficulty in founding morals on sympathy; an obvious confusion of two familiar sentiments. We often sympathise where we cannot approve, and approve where we cannot sympathise. The special vice of party spirit is that it effaces the distinction between the two; we sympathise with our party, till we approve its actions. There is a story of a Radical wit in the last century who was standing for Parliament, and his opponent, of course a Tory, objected that he was always *against* the king whether right or wrong, upon which the wit retorted that on his own showing the Tory was exposed to equal objection, since he was always *for* the king whether right or wrong. And so it will always be. Even the wisest party men more or less sympathise with the errors of their own side; they would be powerless if they did not do so; they would gain no influence if they were not of like passions with those near them. Adam Smith could not help being aware of this obvious objection; he was far too able a reasoner to elaborate a theory without foreseeing what would be said against it. But the way in which he tries to meet the objection only shows that the objection is invincible. He sets up a supplementary theory—a little epicycle—that the sympathy which is to test good morals must be the sympathy of an "impartial spectator". But, then, who is to watch the watchman? Who is to say when the spectator is impartial, and when he is not? If he sympathises with one side, the other will always say that he is partial. As a moralist, the supposed spectator must warmly approve good actions and warmly disapprove bad actions; as an impartial person, he must never do either the one or the other. He is a fiction of inconsistent halves; if he sympathises he is not impartial, and if he is impartial he does not sympathise. The radical vice of the theory is shown by its requiring this accessory invention of a being both hot and cold, because the essence of the theory is to identify the passion which loves with the sentiment which approves.

But although we may now believe *The Theory of Moral*

Sentiments to be of inconsiderable philosophical value, and though it would at first sight seem very little likely to contribute to the production of *The Wealth of Nations*, yet it was, in fact, in a curious way most useful to it. The education of young noblemen has always been a difficulty in the world, and many schemes have been invented to meet it. In Scotland, a hundred years ago, the most fashionable way was to send them to travel in Europe, and to send with them some scholar of repute to look after their morals and to superintend their general education. The guardians of the great border nobleman, the Duke of Buccleuch, were in want of such a tutor to take him such a tour, and it seems to have struck them that Adam Smith was the very person adapted for the purpose. To all appearance an odder selection could hardly have been made. Adam Smith was, as we have seen, the most absent-minded of men, an awkward Scotch professor, and he was utterly unacquainted with the Continent. He had never crossed the English Channel in his life, and if he had been left to himself would probably never have done so. But one of the guardians was Charles Townshend, who had married the young duke's mother. He was not much unlike Mr. Disraeli in character, and had great influence at that time. He read *The Theory of Moral Sentiments*, and Hume writes to Adam Smith: "Charles Townshend, who passes for the cleverest fellow in England, is so taken with the performance, that he said to Oswald he would put the duke under the author's care and would make it worth his while to accept of that charge. As soon as I heard this, I called on him twice with a view of talking with him about the matter, and of convincing him of the propriety of sending that young nobleman to Glasgow; for I could not hope that he could offer you any terms which would tempt you to renounce your professorship. But I missed him. Mr. Townshend passes for being a little uncertain in his resolutions, so perhaps you need not build much on this sally." Mr. Townshend was, however, this time in earnest, and the offer was made to Adam Smith. In our time there would have been an insuperable difficulty. He was a professor of great repute, they were asking him to give up a life-professorship that yielded a considerable income,

and they would have hardly been able to offer him anything equally permanent. But in the eighteenth century there was a way of facilitating such arrangements that we do not now possess. The family of Buccleuch had great political influence, and Charles Townshend, the duke's step-father, at times possessed more; and accordingly the guardians of the young duke agreed that they should pay Adam Smith £200 a year till they should get him an equal office of profit under the Crown. A person apparently more unfit for the public service could not easily have been found; but in that age of sinecures and pensions it was probably never expected that he should perform any service;—an arrangement more characteristic of the old world, and more unlike our present world, could hardly have been made. The friends of the young duke might, not unnaturally, have had some fears about it; but, in fact, for his interests, it turned out very well. Long afterwards, when Adam Smith was dead, the duke wrote: "In October, 1766, we returned to London, after having spent near three years together without the slightest disagreement or coolness; on my part with every advantage that could be expected from the society of such a man. We continued to live in friendship till the hour of his death; and I shall always remain with the impression of having lost a friend whom I loved and respected, not only for his great talents, but for every private virtue." Very few of Charles Townshend's caprices were as successful. Through life there was about Adam Smith a sort of lumbering *bonhomie* which amused and endeared him to those around him.

To Adam Smith the result was even better. If it had not been for this odd consequence of *The Theory of Moral Sentiments*, he might have passed all his life in Scotland, delivering similar lectures and clothing very questionable theories in rather pompous words. He said in after-life that there was no better way of compelling a man to master a science than by setting him to teach it. And this may be true of the definite sciences. But nothing can be conceived worse for a man of inventive originality, than to set him to roam over huge subjects like law, morals, politics, and civilisation, particularly at a time when few good data for sound theories on such subjects are at hand for

him to use. In such a position the cleverer the man, the worse are likely to be the consequences: the wider his curiosity and the more fertile his mind, the surer he is to pour out a series of gigantic conjectures of little use to himself or to any one. A one-eyed man with a taste for one subject, even at this disadvantage, may produce something good. The limitation of his mind may save him from being destroyed by his position; but a man of large interests will fail utterly. As Adam Smith had peculiarly wide interests, and as he was the very reverse of a one-eyed man, he was in special danger; and the mere removal from his professorship was to him a gain of the first magnitude. It was of cardinal importance to him to be delivered from the production of incessant words and to be brought into contact with facts and the world. And as it turned out, the caprice of Charles Townshend had a singular further felicity. It not only brought him into contact with facts and the world; but with the most suitable sort of facts, and, for his purpose, the best part of the world.

The greater part of his three years abroad was naturally spent in France. France was then by far the greatest country on the Continent. Germany was divided and had not yet risen; Spain had fallen; Italy was of little account. In one respect, indeed, France was relatively greater than even at the time of her greatest elevation, the time of the first Napoleon. The political power of the first empire was almost unbounded, but it had no intellectual power; under it Paris had ceased to be an important focus of thought and literature. The vehement rule which created the soldiers also stamped out the ideas. But under the mild government of the old *régime*, Paris was the principal centre of European authorship. The deficiency of the old *régime* in eminent soldiers and statesmen only added to the eminence of its literary men. Paris was then queen of two worlds: of that of politics by a tradition from the past, and of literature by a force and life vigorously evidenced in the present. France therefore thus attracted the main attention of all travellers who cared for the existing life of the time; Adam Smith and his pupil spent the greater part of their stay abroad there. And as a preparation for writing *The Wealth of Nations* he could nowhere else

have been placed so well. Macaulay says that "ancient abuses and new theories" flourished together in France just before the meeting of the States-General in greater vigour than they had been seen to be combined before or since. And the description is quite as true economically as politically; on all economical matters the France of that time was a sort of museum stocked with the most important errors.

By nature then, as now, France was fitted to be a great agricultural country, a great producer and exporter of corn and wine; but her legislators for several generations had endeavoured to counteract the aim of nature, and had tried to make her a manufacturing country and an exporter of her manufactures. Like most persons in those times, they had been prodigiously impressed by the high position which the maritime powers, as they were then called (the comparatively little powers of England and Holland), were able to take in the politics of Europe. They saw that this influence came from wealth, that this wealth was made in trade and manufacture, and therefore they determined that France should not be behindhand, but should have as much trade and manufacture as possible. Accordingly, they imposed prohibitive or deterring duties on the importation of foreign manufactures; they gave bounties to the corresponding home manufactures. They tried, in opposition to the home-keeping bent of the French character, to found colonies abroad. These colonies were, according to the maxim then everywhere received, to be markets for the trade and nurseries for the commerce of the mother country;—they were mostly forbidden to manufacture for themselves, and were compelled to import all the manufactures and luxuries they required from Europe exclusively in French ships. Meanwhile, at home, agriculture was neglected. There was not even a free passage for goods from one part of the country to another. As Adam Smith himself describes it:—

"In France, the different revenue laws which exist in the different provinces require a multitude of revenue officers to surround, not only the frontiers of the kingdom, but those of almost each particular province, in order either to prevent the importation of certain goods or to subject it to the payment of certain duties, to the no small interruption of the interior commerce of the country. Some provinces are allowed to com-

pound for the gabelle or salt-tax. Others are exempted from it altogether. Some provinces are exempted from the exclusive sale of tobacco, which the farmers-general enjoy through the greater part of the kingdom. The *Aides*, which correspond to the excise in England, are very different in different provinces. Some provinces are exempted from them, and pay a composition or equivalent. In those in which they take place and are in farm, there are many local duties which do not extend beyond a particular town or district. The *Traites*, which correspond to our customs, divide the kingdom into three great parts: first, the provinces subject to the tariff of 1664, which are called the provinces of the five great farms, and under which are comprehended Picardy, Normandy, and the greater part of the interior provinces of the kingdom; secondly, the provinces subject to the tariff of 1667, which are called the provinces reckoned foreign, and under which are comprehended the greater part of the frontier provinces; and, thirdly, those provinces which are said to be treated as foreign, or which because they are allowed a free commerce with foreign countries are in their commerce with the other provinces of France subjected to the same duties as other foreign countries. These are Alsace, the three Bishoprics of Metz, Toul and Verdun, and the three cities of Dunkirk, Bayonne, and Marseilles. Both in the provinces of the five great farms (called so on account of an ancient division of the duties of customs into five great branches, each of which was originally the subject of a particular farm, though they are now all united into one), and in those which are said to be reckoned foreign, there are many local duties which do not extend beyond a particular town or district. There are some such even in the provinces which are said to be treated as foreign, particularly in the city of Marseilles. It is unnecessary to observe how much both the restraints upon the interior commerce of the country and the number of the revenue officers must be multiplied, in order to guard the frontiers of those different provinces and districts which are subject to such different systems of taxation."

And there were numerous attendant errors, such as generally accompany a great Protective legislation, but which need not be specified in detail.

In consequence, the people were exceedingly miserable. The system of taxation was often enough by itself to cause great misery. "In the provinces," says Adam Smith, "where the personal *taille* on the farm is imposed, the farmer is afraid to have a good team of horses or oxen, but endeavours to cultivate with the meanest and most wretched instruments of husbandry that he can." The numerous imposts on the land due from the peasantry to the nobles had the same effect even then —most of the country was practically held in a kind of double

ownership; the peasant cultivator had usually, by habit if not by law, a fixed hold upon the soil, but he was subject in the cultivation of it to innumerable exactions of varying kinds, which the lord could change pretty much as he chose. "In France," continues Adam Smith, so oddly contrary to everything which we should say now, "the inferior ranks of the people must suffer patiently the usage which their superiors choose to inflict on them." The country in Europe where there is now, perhaps, the most of social equality was then the one in which there was, perhaps, the least.

And side by side with this museum of economical errors there was a most vigorous political economy which exposed them. The doctrines of Free Trade had been before several times suggested by isolated thinkers, but by far the most powerful combined school of philosophers who incessantly inculcated them were the French *Économistes*. They delighted in proving that the whole structure of the French laws upon industry was utterly wrong; that prohibitions ought not to be imposed on the import of foreign manufactures; that bounties ought not to be given to native ones; that the exportation of corn ought to be free; that the whole country ought to be a fiscal unit; that there should be no duty between any province; and so on in other cases. No one could state the abstract doctrines on which they rested everything more clearly. "Acheter, c'est vendre," said Quesnay, the founder of the school, "vendre, c'est acheter." You cannot better express the doctrine of modern political economy that "trade is barter". "Do not attempt," Quesnay continues, "to fix the price of your products, goods, or services; they will escape your rules. Competition alone can regulate prices with equity; it alone restricts them to a moderation which varies little; it alone attracts with certainty provisions where they are wanted or labour where it is required." "That which we call dearness is the only remedy of dearness: dearness causes plenty." Any quantity of sensible remarks to this effect might be disinterred from these writers. They were not always equally wise.

As the prime maxim of the ruling policy was to encourage commerce and neglect agriculture, this sect set up a doctrine

that agriculture was the only source of wealth, and that trade and commerce contributed nothing to it. The labour of artificers and merchants was sterile; that of agriculturists was alone truly productive. The way in which they arrived at this strange idea was, if I understand it, something like this: they took the whole agricultural produce of a country, worth say £5,000,000 as it stood in the hands of the farmer, and applied it thus:—

First, as we should say, in repayment of capital spent in wages, etc.	£3,000,000
Secondly, in payment of profit by way of hire of capital, say, or as subsistence to himself	500,000
Total outlay . . .	£3,500,000

But that outlay of £3,500,000 has produced a value of £5,000,000; there is therefore an overplus over and above the outlay of £1,500,000; and this overplus, or *produit net* as the *Économistes* call it, goes to the landlord for rent, as we should call it. But no other employment yields any similar *produit net*. A cotton spinner only replaces his own capital, and obtains his profit on it; like the farmer (as they said), he pays the outlay, and he gains a profit or subsistence for himself. But he does no more. There is no extra overplus in farming; no balance, after paying wages and hiring capital; nothing to go to any landlord. In the same way commerce is, according to this system, transfer only—the expense of distribution is paid; the necessary number of capitalists and of labourers is maintained, but that is all; there is nothing beyond the wages and beyond the profit. In agriculture only is there a third element—a *produit net*.

From this doctrine the *Économistes* drew two inferences—one very agreeable to agriculturists, the other very disagreeable; but both exactly opposite to the practice of their government. *First*, they said, as agriculture was the exclusive source of all wealth, it was absurd to depress it or neglect it, or to encourage commerce or manufacture in place of it. They had no toleration for the system of finance and commercial legislation which they saw around them, of which the one object was to make France a trading and manufacturing country, when nature meant

it to be an agricultural one. *Secondly*, they inferred that most, if not all, the existing taxes in France were wrong in principle. "If," they argued, "agriculture is the only source of wealth, and if, as we know, wealth only can pay taxes, then all taxes should be imposed on agriculture." They reasoned: "In manufactures there is only a necessary hire of labour, and a similar hire of capital, at a cost which cannot be diminished; there is in them no available surplus for taxation. If you attempt to impose taxes on them, and if in name you make them pay such taxes, they will charge higher for their necessary work. They will in a roundabout way throw the burden of those taxes on agriculture. The *produit net* of the latter is the one real purse of the State; no other pursuit can truly pay anything, for it has no purse. And therefore," they summed up, "all taxes, save a single one on the *produit net*, were absurd. They only attempted to make those pay who could not pay; to extract money from fancied funds, in which there was no money." All the then existing taxes in France, therefore, they proposed to abolish, and to replace them by a single tax on agriculture only.

As this system was so opposed to the practice of the Government, one would have expected that it should have been discountenanced, if not persecuted, by the Government. But, in fact, it was rather favoured by it. Quesnay, the founder of the system, had a place at Court, and was under the special protection of the king's mistress, who was then the king's Government. M. de Lavergne has quoted a graphic description of him. "Quesnay," writes Marmontel, "well lodged in a small *appartement* in the *entresol* of Madame de Pompadour, only occupied himself from morning till night with political and agricultural economy. He believed that he had reduced the system to calculation, and to axioms of irresistible evidence; and as he was collecting a school, he gave himself the trouble to explain to me his new doctrine, in order to make me one of his proselytes. I applied all my force of comprehension to understand those truths which he told me were self-evident; but I found in them only vagueness and obscurity. To make him believe that I understood that which I really did not understand was

beyond my power; but I listened with patient docility, and left him the hope that in the end he would enlighten me and make me believe his doctrine. I did more; I applauded his work, which I really thought very useful, for he tried to recommend agriculture in a country where it was too much disdained, and to turn many excellent understandings towards the study of it. While political storms were forming and dissolving above the *entresol* of Quesnay, he perfected his calculations and his axioms of rural economy, as tranquil and as indifferent to the movements of the Court, as if he had been a hundred leagues off. Below, in the *salon* of Madame de Pompadour, they deliberated on peace or war—on the choice of generals—on the recall of Ministers; while we in the *entresol* were reasoning on agriculture, calculating the *produit net*, or sometimes were dining gaily with Diderot, d'Alembert, Duclos, Helvetius, Turgot, Buffon; and Madame de Pompadour, not being able to induce this troop of philosophers to come down to her *salon*, came herself to see them at table and to chat with them." An opposition philosophy has rarely been so petted and well treated. Much as the reign of Louis XVI. differed in most respects from that of Louis XV., it was like it in this patronage of the *Économistes*. Turgot was made Minister of Finance to reform France by applying their doctrines.

The reason of this favour to the *Économistes* from the Government was, that on the question in which the Government took far the most interest the *Économistes* were on its side. The daily want of the French Government was more power; though nominally a despotism, it was feeble in reality. But the *Économistes* were above all things anxious for a very strong Government; they held to the maxim, everything *for* the people—nothing *by* them; they had a horror of checks and counterpoises and resistances; they wished to do everything by the *fiat* of the sovereign. They had, in fact, the natural wish of eager speculators, to have an irresistible despotism behind them and supporting them; and with the simplicity which marks so much of the political speculation of the eighteenth century, but which now seems so childlike, they never seemed to think how they were to get their despot, or how they were to ensure that he

should be on their side. The painful experience of a hundred years has taught us that influential despotisms are not easy to make, and that good ones are still less so. But in their own time nothing could be more advantageous to the *Économistes* than to have an eager zeal for a perfect despotism; in consequence they were patronised by the greatest existing authority, instead of being discountenanced by it.

This account of the *Économistes* may seem to a reader who looks at Adam Smith exclusively by the light of modern political economy to be too long for their relation to him. But he would not have thought so himself. He so well knew how much his mind had been affected by them and by their teaching, that he at one time thought of dedicating *The Wealth of Nations* to Quesnay, their founder; and though he relinquished that intention, he always speaks of him with the gravest respect. If, indeed, we consider what Glasgow is now, still more what it must have been a hundred years ago, we shall comprehend the degree to which this French experience—this sight of a country so managed, and with such a political economy—must have excited the mind of Adam Smith. It was the passage from a world where there was no *spectacle* to one in which there was the best which the world has ever seen, and simultaneously the passage from the most Scotch of ideas to others the most un-Scotch. A feeble head would have been upset in the transit, but Adam Smith kept his.

From France he went home to Scotland, and stayed quietly with his mother at his native town of Kirkcaldy for a whole ten years. He lived on the annuity from the Duke of Buccleuch, and occupied himself in study only. What he was studying, if we considered *The Wealth of Nations* as a book of political economy only, we might be somewhat puzzled to say. But the contents of that book are, as has been said, most miscellaneous, and in its author's mind it was but a fragment of an immensely larger whole. Much more than ten years' study would have been necessary for the entire book which he contemplated.

At last, in 1776, *The Wealth of Nations* was published, and was, on the whole, well received. Dr. Carlyle, indeed, preserves

an impression that, in point of style, it was inferior to *The Theory of Moral Sentiments*. But all competent readers were agreed as to the great value of the substance. And almost everybody will probably now think, in spite of Dr. Carlyle, that the style is very much better than that of the *Moral Sentiments*. There is about the latter a certain showiness and an "air of the professor trying to be fascinating," which are not very agreeable; and, after all, there is a ponderous weight in the words which seems to bear down the rather flimsy matter. But the style of *The Wealth of Nations* is entirely plain and manly. The author had, in the interval, seen at least a little of the living world and of society, and had learnt that the greatest mistake is the trying to be more agreeable than you can be, and that the surest way to spoil an important book is to try to attract the attention of, to "write down" to, a class of readers too low to take a serious interest in the subject. A really great style, indeed, Adam Smith's certainly is not. Lord Mansfield is said to have told Boswell that he did not feel, in reading either Hume or Adam Smith, that he was reading English at all; and it was very natural that it should be so. English was not the mother tongue of either. Adam Smith had, no doubt, spoken somewhat broad Scotch for the first fourteen or fifteen years of his life; probably he never spoke anything that could quite be called English till he went to Oxford. And nothing so much hampers the free use of the pen in any language as the incessant remembrance of a kindred but different one; you are never sure the idioms nature prompts are those of the tongue you would speak, or of the tongue you would reject. Hume and Adam Smith exemplify the difficulty in opposite ways. Hume is always idiomatic, but his idioms are constantly wrong; many of his best passages are, on that account, curiously grating and puzzling; you feel that they are very like what an Englishman would say, but yet that, after all, somehow or other, they are what he never would say;—there is a minute seasoning of imperceptible difference which distracts your attention, and which you are for ever stopping to analyse. Adam Smith's habit was very different. His style is not colloquial in the least. He adheres to the heavy "book" English

which he had found in the works of others, and was sure that he could repeat in his own. And in that sort of style he has eminent merit. No one ever has to read him twice to gather his meaning; no one can bring much valid objection to his way of expressing that meaning; there is even a sort of appropriateness, though often a clumsy sort, in his way of saying it. But the style has no intrinsic happiness; no one would read it for its own sake; the words do not cleave to the meaning, so that you cannot think of them without it, or of it without them. This is only given to those who write in the speech of their childhood, and only to the very few of those—the five or six in every generation—who have from nature the best grace, who think by inborn feeling in words at once charming and accurate.

Of *The Wealth of Nations* as an economic treatise, I have nothing to say now; but it is not useless to say that it is a very amusing book about old times. As it is dropping out of immediate use from change of times, it is well to observe that this very change brings it a new sort of interest of its own. There are few books from which there may be gathered more curious particulars of the old world. I cull at random almost that "a broad wheel waggon, attended by two men, and drawn by eight horses," then "in about six weeks'" time carried and brought trade between London and Edinburgh;—that in Adam Smith's opinion, if there were such an effectual demand for grain as would require a million tons of shipping to import it, the "navy of England," the mercantile navy of course, would not be sufficient for it;—that "Holland was the great emporium of European goods"; that she was, in proportion to the land and the number of inhabitants, by far the richest country in Europe; that she had the greatest share of the ocean-carrying trade; that her citizens possessed £40,000,000 in the French and English funds;—that in Sheffield no master cutler can have more than one apprentice, by a by-law of the corporation, and in Norfolk and Norwich no weaver more than two;—that, if Adam Smith's eyes served him right, "the common people in Scotland, who are fed with oatmeal, are in general neither so strong nor so handsome as the same class of people in England, who

are fed with wheaten bread," and that they do not look or work as well; that—and this is odder still—"the porters and coal-heavers in London, and those unfortunate women who live by prostitution—the strongest men and the most beautiful women, perhaps, in the British dominions—are from the lowest rank of people in Ireland, and fed with the potato";—that £1000 share in India stock "gave a share not in the plunder, but in the appointment of the plunderers of India";—that "the expense of the establishment of Massachusetts Bay, before the commencement of the late disturbances," that is, the American War, "used to be about £18,000 a year, and that of New York, £4500";—that all the civil establishments in America did not at the same date cost £67,000 a year;—that "in consequence of the monopoly of the American colonial market," the commerce of England, "instead of running in a great number of small channels, has been taught to run principally in one great channel";—that "the territorial acquisitions of the East India Company, the undoubted right of the Crown," "might be rendered another source of revenue more abundant, perhaps, than all" others from which much addition could be expected;—that Great Britain is, perhaps, since "the world began, the only State which has extended its empire" "without augmenting the area of its resources";—that, and this is the final sentence of the book, "if any of the provinces of the British empire cannot be made to contribute towards the support of the whole empire, it is surely time that Great Britain should free herself from the expense of defending those provinces in time of war, and of supporting any part of their civil or military establishments in time of peace, and endeavour to accommodate her future views and designs to the real mediocrity of her circumstances". A strange passage, considering all that has happened since, and all the provinces which we have since taken. No one can justly estimate *The Wealth of Nations* who thinks of it as a book of mere political economy, such as Quesnay had then written, or as Ricardo afterwards wrote. It is really full both of the most various kinds of facts and of thoughts often as curious on the most various kinds of subjects.

The effect of the publication of *The Wealth of Nations* on

the fortunes of its author was very remarkable. It gave the Duke of Buccleuch the power of relieving himself of his annuity, by performing the equivalent clause in the bargain ; he obtained for Adam Smith a commissionership of customs for Scotland —an appointment of which we do not know the precise income, but which was clearly, according to the notions of those times, a very good one indeed. A person less fitted to fill it could not indeed easily have been found. Adam Smith had, as we have seen, never been used to pecuniary business of any kind ; he had never even taken part in any sort of action out of such business ; he was an absent and meditative student. It was indeed during his tenure of this office that, as I have said, he startled a subordinate, who asked for his signature, by imitating the signature of the last commissioner, instead of giving his own—of course in pure absence of mind. He was no doubt better acquainted with the theory of taxation than any other man of his time ; he could have given a Minister in the capital better advice than any one else as to what taxes he should, or should not, impose. But a commissioner of customs, in a provincial city, has nothing to do with the imposition of taxes, or with giving advice about them. His business simply is to see that those which already exist are regularly collected and methodically transmitted, which involves an infinity of transactions requiring a trained man of detail. But a man of detail Adam Smith certainly was not—at least, of detail in business. Nature had probably not well fitted him for it, and his mode of life had completed the result, and utterly unfitted him. The appointment that was given him was one in which the great abilities which he possessed were useless, and in which much smaller ones, which he had not, would have been of extreme value.

But in another respect this appointment has been more blamed than I think is just. However small may be the value of Adam Smith's work at the custom-house, the effect of performing it and the time which it occupied prevented him from writing anything more. And it has been thought that posterity has in consequence suffered much. But I own that I doubt this exceedingly. Adam Smith had no doubt made a vast accumulation of miscellaneous materials for his great design.

But these materials were probably of very second-rate value. Neither for the history of law, nor of science, nor of art, had the preliminary work been finished, which is necessary before such a mind as Adam Smith's can usefully be applied to them. Before the theorising philosopher must come the accurate historian. To write the history either of law or science or art is enough for the life of any single man : neither have as yet been written with the least approach to completeness. The best of the fragments on these subjects, which we now have, did not exist in Adam Smith's time. There was, therefore, but little use in his thinking or writing at large about them. If he had set down for us some account of his residence in France, and the society which he saw there, posterity would have been most grateful to him. But this he had no idea of doing ; and nobody would now much care for a series of elaborate theories, founded upon facts insufficiently collected.

Adam Smith lived for fourteen years after the publication of *The Wealth of Nations ;* but he wrote nothing, and scarcely studied anything. The duties of his office, though of an easy and routine character, which would probably have enabled a man bred to business to spend much of his time and almost all his mind on other things, were, we are told, enough "to waste his spirits and dissipate his attention". And not unnaturally, for those who have ever been used to give all their days to literary work, rarely seem able to do that work when they are even in a slight degree struck and knocked against the world; only those who have scarcely ever known what it is to have unbroken calm are able to accomplish much without that calm. During these years Adam Smith's life passed easily and pleasantly in the Edinburgh society of that time—a very suitable one, for it was one to which professors and lawyers gave the tone, and of which intellectual exertion was the life and being. Adam Smith was, it is true, no easy talker—was full neither of ready replies nor of prepared replies. He rather liked to listen, but if he talked—and traps it is said were laid to make him do so—he could expound admirably on the subjects which he knew, and also (which is quite as characteristic of the man as we see him in his works) could run up rapid theories on such data as

occurred to him, when, as Dugald Stewart tells us in his dignified dialect, "he gave a loose to his genius upon the very few branches of knowledge of which he only possessed the outlines".

He died calmly and quietly, leaving directions about his manuscripts and such other literary things, and saying, in a melancholy way, "I meant to have done more". The sort of fame which *The Wealth of Nations* has obtained, and its special influence, did not begin in his lifetime, and he had no notion of it. Nor would he perhaps have quite appreciated it, if he had. His mind was full of his great scheme of the origin and history of all cultivation. As happens to so many men, though scarcely ever on so great a scale, aiming at one sort of reputation, he attained another. To use Lord Bacon's perpetual illustration, like Saul, he "went in search of his father's asses, and he found a kingdom".

Adam Smith has been said to belong to the Macaulay type of Scotchmen, and the saying has been thought a paradox, particularly by those who, having misread Macaulay, think him a showy rhetorician, and not having at all read Adam Smith, think of him as a dry and dull political economist. But the saying is true, nevertheless. Macaulay is anything but a mere rhetorical writer—there is a very hard kernel of business in him; and Adam Smith is not dry at all—the objection to him is that he is not enough so, and that the real truth in several parts of his subject cannot be made so interesting as his mode of treatment implies. And there is this fundamental likeness between Macaulay and Adam Smith, that they can both describe practical matters in such a way as to fasten them on the imagination, and not only get what they say read, but get it remembered and make it part of the substance of the reader's mind ever afterwards. Abstract theorists may say that such a style as that of Adam Smith is not suitable to an abstract science; but then Adam Smith has carried political economy far beyond the bounds of those who care for abstract science, or who understand exactly what it means. He has popularised it in the only sense in which it can be popularised without being spoiled; that is, he has put certain broad conclusions into the minds of hard-headed men, which are all which they

need know, and all which they for the most part will ever care for, and he has put those conclusions there ineradicably. This, too, is what Macaulay does for us in history, at least what he does best; he engraves indelibly the main outlines and the rough common sense of the matter. Other more refining, and perhaps in some respects more delicate, minds may add the nicer details, and explain those wavering, flickering, inconstant facts of human nature which are either above common sense or below it. Both these great Scotchmen excelled in the "osteology of their subject," a term invented by Dr. Chalmers, a third great Scotchman who excelled in it himself; perhaps, indeed, it is an idiosyncrasy of their race.

Like many other great Scotchmen—Macaulay is one of them—Adam Smith was so much repelled by the dominant Calvinism in which he was born, that he never voluntarily wrote of religious subjects, nor, as far as we know, spoke of them. Nothing, indeed, can repel a man more from such things than what Macaulay called the "bray of Exeter Hall". What can be worse for people than to hear in their youth arguments, alike clamorous and endless, founded on ignorant interpretations of inconclusive words? As soon as they come to years of discretion, all instructed persons cease to take part in such discussions, and often say nothing at all on the great problems of human life and destiny. Sometimes the effect goes farther; those subjected to this training become not only silent but careless. There is nothing like Calvinism for generating indifference. The saying goes that Scotchmen are those who believe most or least; and it is most natural that it should be so, for they have been so hurt and pestered with religious stimulants, that it is natural they should find total abstinence from them both pleasant and healthy. How far this indifference went in Adam Smith's case we do not exactly know; but there is reason to think it extended to all religion. On the contrary, there are many traces of the complacent optimism of the eighteenth century—a doctrine the more agreeable to him perhaps, because it is the exact opposite of Calvinism—and one which was very popular in an easy-going age, though the storms and calamities of a later time dispelled it,

and have made it seem to us thin and unreal. The only occasion when Adam Smith ever came near to theological discussion was in a letter on Hume's death, in which he said that Hume, one of his oldest friends, was the best man he had ever known—praise which perhaps was scarcely meant to be taken too literally, but which naturally caused a great storm. The obvious thing to say about it is, that it does not indicate any very lofty moral standard, for there certainly was no sublime excellence in Hume, who, as Carlyle long ago said, "all his life through did not so much morally live, as critically investigate". But though the bigots of his time misunderstood him, Adam Smith did not by so saying mean to identify himself with irreligion or even with scepticism.

Adam Smith's life, however, was not like Macaulay's—"a life without a lady". There are vestiges of an early love affair, though but vague ones. Dugald Stewart, an estimable man in his way, but one of the most detestable of biographers, for he seems always thinking much more of his own words than of the facts he has to relate, says: "In the early part of Mr. Smith's life, it is well known to his friends that he was for several years attached to a young lady of great beauty and accomplishment". But he does not tell us who she was, and "has not been able to learn" "how far his addresses were favourably received," or, in fact, anything about the matter. It seems, however, that the lady died unmarried, and in that case the unsentimental French novelists say that the gentleman is not often continuously in earnest, for that "a lady cannot be always saying No!" But whether such was the case with Adam Smith or not, we cannot tell. He was a lonely bookish man, but that may tell both ways. The books may be opposed to the lady, but the solitude will preserve her remembrance.

If Adam Smith did abandon sentiment and devote himself to study, he has at least the excuse of having succeeded. Scarcely any writer's work has had so much visible fruit. He has, at least, annexed his name to a great practical movement which is still in progress through the world. Free Trade has become in the popular mind almost as much his subject as

the war of Troy was Homer's: only curious inquirers think of teachers before the one any more than of poets before the other. If all the speeches made at our Anti-Corn-Law League were examined, I doubt if any reference could be found to any preceding writer, though the name of Adam Smith was always on men's lips. And in other countries it was the same. Smith-ism is a name of reproach with all who reject such doctrines, and of respect with those who believe them; no other name is used equally or comparably by either. So long as the doctrines of Protection exist—and they seem likely to do so, as human interests are what they are and human nature is what it is—Adam Smith will always be quoted as the great authority on Anti-Protectionism—as the man who first told the world the truth so that the world could learn and believe it.

And besides this great practical movement, Adam Smith started a great theoretical one also. On one side his teaching created Mr. Cobden and Mr. Bright, on another it rendered possible Ricardo and Mr. Mill. He is the founder of that analysis of the "great commerce" which in England we now call political economy, and which, dry, imperfect, and unfinished as it is, will be thought by posterity one of the most valuable and peculiar creations of English thought. As far as accuracy goes, Ricardo no doubt began this science; but his whole train of thought was suggested by Adam Smith, and he could not have written without him. So much theory and so much practice have really perhaps never sprung from a single mind.

Fortunate in many things, Adam Smith was above all things fortunate in his age. Commerce had become far larger, far more striking, far more world-wide than it ever was before, and it needed an effectual explainer. A vigorous Scotchman, with the hard-headedness and the abstraction of his country, trained in England and familiar with France, was the species of man best fitted to explain it; and such a man was Adam Smith.

MR. DISRAELI AS A MEMBER OF THE HOUSE OF COMMONS.

(1876.)

NOTHING could be more out of place or premature than to review as yet Mr. Disraeli's career. That career is not yet ended. But some remarks may be made on him as a member of the House of Commons, in which he has sat for forty years, and where he obtained his political eminence and power. That part of his career is certainly over, for he has chosen to leave its peculiar scene.

During this long period Mr. Disraeli has filled four parts. First—that of a political free-lance or outsider. And it was in this that he first obtained fame. The best opportunity for such a man is, when parties are breaking up; when secret feelings are in many minds; when cautious men do not know what to say. The latter part of Sir Robert Peel's Ministry was such a period. From the time when he became conspicuously and obviously a Free Trader, there was always a secret anger in the Conservative ranks which craved for an outlet, but which no "regular man" could express. This Mr. Disraeli spoke out. From the time of Mr. Milne's sugar amendment, in 1844, till the completion of the disruption of the Tories, in 1846, Mr. Disraeli poured epigram upon epigram and innuendo on innuendo on the "organised hypocrisy" of his professed leader; and there is no doubt that Sir Robert Peel suffered exceedingly under the smart. He was, in every way, a most sensitive man, and he was especially sensitive in all that related to the House of Commons, which was the scene of his life, and to his position there. But now he was, for the first time in his life, exposed to a style of attack to which he had not the sort of power to

reply, but which was for the moment the most effective style of any; and he was pained accordingly. No "free-lance," perhaps, has ever achieved so much and so suddenly as Mr. Disraeli then did. Upon this part of his career an historical examiner would give him first-rate marks—much greater than he would give to any competitor.

The next, and far the longest, of Mr. Disraeli's Parliamentary parts is that of Leader of Opposition. And in this he showed eminent mind—not equal to that of his free-lance period, but still very great. His powers of epigram and amusing nonsense gave infinite aid, year after year, to a party that was to be beaten. And, after his fashion, he showed a high magnanimity and conscience in not opposing or hampering the Ministry on great questions—say of foreign policy, when his so doing would hurt the country. But this praise must end here. On all minor Parliamentary questions, Mr. Disraeli has simply no conscience at all. He regards them as a game—as an old special pleader regarded litigation, to be played so as to show your skill, and so as to win, but without any regard to the consequences. Indeed, Mr. Disraeli, at bottom, believes that they have no consequence—that all is settled by questions of race, "Caucasian or Semitic," and that it is simple pedantry in such things to be scrupulous. And still worse than this, which is an amusing defect after all, and excusable—(for there *are* many deeper issues and causes than are dreamed of in Parliamentary philosophy)—Mr. Disraeli often showed in Opposition a turn for nonsense, which was *not* amusing. He has many gifts, but he has not the gift of thinking out a subject, and when he tries to produce grave thought he only makes platitudes. And some of his "mare's nests," like his difficulty in the Franco-German War, arising out of our guarantee to the Saxon provinces of Prussia, have been almost incredible, and could only have been discovered by a mind which, with many elements of genius, has also an element of hare-brained recklessness. Drearier hearing, or drearier reading, than Mr. Disraeli's Opposition harangues, when they were philosophical, can hardly anywhere be found. But still, though with these and other defects, he *did* lead the Tory Opposition through

long melancholy years, when one did not know who else *could* have or who *would* have led it.

The next of Mr. Disraeli's Parliamentary parts was that of Leader of a Ministry in a minority, where again he was first-rate. He showed sometimes—in 1852, in 1858, and in 1866—a nimbleness, a tact, and dexterity far surpassing, probably, anything that Parliament has ever seen of a similar kind. He "hit the House"—to use a phrase which Burke used of a like but very inferior person[1]—he "hit the House between the wind and the water," and cut with a light witticism knots insoluble by solemn argument. If, by a series of "selections," nature had made a man so fit for this kind of work, it would have been a marvel. But Mr. Disraeli drifted into it, as if by chance, from quite another calling and another sphere.

Lastly, Mr. Disraeli has been lately, and was but yesterday, Leader of a Ministry in a majority. And here there was a wonderful contrast. So far from being first-rate, he was ninth-rate. He seemed to resemble those guerilla commanders who, having achieved great exploits with scanty and ill-trained troops, nevertheless are utterly at a loss and fail when they are placed at the head of a first-rate army. In 1867 he made a minority achieve wonderful things; but in 1876, when he had the best majority—the most numerous and obedient—since Mr. Pitt, he did nothing with it. So far from being able to pass great enactments, he could not even despatch ordinary business at decent hours. The gravest and sincerest of Tory members—men who hardly murmur at anything—have been heard to complain that it *was* hard that, after voting so well and doing so little, they should be kept up so very late. The Session just closed will be known in Parliamentary annals as one of the least effective or memorable on record, and yet one of the most fatiguing. And this collapse is no accident in Mr. Disraeli's career, but a thing essentially characteristic of the man, and which might have been predicted by any one who had analysed the traits which he had shown before. If we may be pardoned the metaphor—though his chaff is exquisite, his wheat is poor stuff. The solid part of his mind—the part fit

[1] Charles Townshend.

for regulating bills and clauses—is as inferior to that of an ordinary man of decent ability, as the light and imaginative part is superior. An incessant and almost avowed inaccuracy pervades him. And if you ask such a man to regulate the stupendous business of Parliament—to arrange, and if possible effect, the most complex *agenda* that ever was in the world—failure is inevitable. It is like entering a light hack for a ploughing match. In the last Parliamentary situation, Mr. Disraeli has scarcely seemed to be what he used to be, and this because that situation was the one for which he was the least suited, and the last in which he should have been placed. As so often happens, having obtained the ambition of his life—to be a Minister with power—he found he had only got where he ought not to be—he found that he could not wield the power.

And two things have been common to Mr. Disraeli all through these positions. In them all he has charmed the House, and has given debates in which he took part a kind of nice literary flavour which other debates had not, and which there is no one left to give to them. He was the best representative whom the "Republic of Letters" ever had in Parliament, for he made his way by talents—especially by a fascination of words—essentially literary. And on the other hand, though he charmed Parliament, he never did anything more. He had no influence with the country. Such a vast power over Englishmen as has been possessed by Lord Palmerston and by Mr. Gladstone was out of the way altogether. Between Mr. Disraeli and common Englishmen there was too broad a gulf—too great a difference. He was simply unintelligible to them. "Ten miles from London," to use the old phrase, their is scarcely any real conception of him. His mode of regarding Parliamentary proceedings as a play and game, is incomprehensible to the simple and earnest English nature. Perhaps he has gained more than he has lost by the English not understanding him. At any rate, the fact remains that the special influence of this great gladiator never passed the walls of the amphitheatre: he has ruled the country by ruling Parliament, but has never had any influence in Parliament reverberating from the nation itself.

LORD ALTHORP AND THE REFORM ACT OF 1832.[1]

(1877.)

"ALTHORP carried the Bill," such is the tradition of our fathers: "the Bill," of course, being the Bill to them—the great Reform Act of 1832, which was like a little revolution in that generation—which really changed so much, and which seemed to change so much more. To have been mainly concerned in passing so great a measure seems to many of the survivors of that generation, who remember the struggles of their youth and recall the enthusiasm of that time, almost the *acme* of fame. And in sober history such men will always be respectfully and gravely mentioned; but all romance has died away. *The* Bill is to us hardly more than other Bills; it is one of a great many Acts of Parliament which in this day, partly for good and partly for evil, have altered the ever-varying Constitution of England. The special charm, the charm which to the last you may see that Macaulay always felt about it, is all gone. The very history of it is forgotten. Which of the younger generation can say what was General Gascoigne's amendment, or who were the "waverers," or even how many Reform "Bills" in those years there were? The events for which one generation cares most, are often those of which the next knows least. They are too old to be matters of personal recollection, and they are too new to be subjects of study: they have passed out of memory, and they have not got into the books. Of the well-informed young people about us, there are very many who scarcely know who Lord Althorp was.

[1] *Memoir of John Charles, Viscount Althorp, third Earl Spencer.* By the late Sir Denis Le Marchant, Bart. London: Richard Bentley & Son, 1876.

And in another respect this biography has been unfortunate. It has been kept back too long. The Reform Act of 1867 has shed a painful light on the Reform Act of 1832, and has exhibited in real life what philosophers said were its characteristic defects. While these lingered in the books they were matters of dull teaching, and no one cared for them; but now Mr. Disraeli has embodied them, and they are living among us. The traditional sing-song of mere eulogy is broken by a sharp question. Those who study that time say, "Althorp, you tell us, passed the Bill. It was his frankness and his high character and the rest of his great qualities which did it. But was it good that he should have passed it? Would it not have been better if he had not possessed those fine qualities? Was not some higher solution possible! Knowing this bill by its fruits, largely good, but also largely evil, might we not have had a better Bill? At any rate, if it could not be so, show *why* it could not be so. Prove that the great defects in the Act of 1832 were necessary defects. Explain how it was that Althorp had no choice, and then we will admire him as you wish us." But to this biographer—a man of that time, then in the House of Commons on the Whig side, and almost, as it were, on the skirts of the Bill—such questions would have seemed impossible. To him, the Act of 1832 is still wonderful and perfect—the great measure which *we* carried in *my* youth; and as for explaining defects in it, he would have as soon thought of explaining defects in a revelation.

But if ever Lord Althorp's life is well written, it will, I think, go far to explain not only why the Reform Bill was carried, but why that Bill is what it was. He embodies all the characteristic virtues which enable Englishmen to effect well and easily great changes in politics: their essential fairness, their "large roundabout common-sense," their courage, and their disposition rather to give up something than to take the uttermost farthing. But on the other hand also he has all the characteristic English defects: their want of intellectual and guiding principle, their even completer want of the culture which would give that principle, their absorption in the present difficulty, and their hand-to-mouth readiness to take what solves

it without thinking of other consequences. And I am afraid the moral of those times is that these English qualities as a whole—merits and defects together—are better suited to an early age of politics than to a later. As long as materials are deficient, these qualities are most successful in hitting off simple expedients in adapting old things to new uses, and in extending ancient customs; they are fit for instantaneous little creations, and admirable at bit-by-bit growth. But when, by the incessant application of centuries, these qualities have created an accumulated mass of complex institutions, they are apt to fail, unless aided by others very different. The instantaneous origination of obvious expedients is of no use when the field is already covered with the heterogeneous growth of complex past expedients; bit-by-bit development is out of place unless you are sure which bit should, and which bit should not, be developed; the extension of customs may easily mislead when there are so many customs; no immense and involved subject can be set right except by faculties which can grasp what is immense and scrutinise what is involved. But mere common-sense is here matched with more than it can comprehend, like a schoolboy in the differential calculus;—and absorption in the present difficulty is an evil, not a good, for what is wanted is that you should be able to see many things at once, and take in their bearing, not fasten yourself on one thing. The characteristic danger of great nations, like the Romans, or the English, which have a long history of continuous creation, is that they may at last fail from not comprehending the great institutions which they have created.

No doubt it would be a great exaggeration to say that this calamity happened in its fulness in the year 1832, and it would be most unfair to Lord Althorp to cite him as a complete example of the characteristics which may cause it; but there was something in him of those qualities, and some trace in 1832 of that calamity—enough in those cases to be a warning. Only a complete history of the time can prove this; but perhaps in a few pages I may a little explain and illustrate it.

Let us first get, both as more instructive and as less tedious

than analysis, a picture of a man as he stood in the principal event of his life. A good painter has thus painted him. Lord Jeffrey, the great Edinburgh Reviewer, who was an able lawyer and practical man of business in his day, though his criticism on poetry has not stood the test of time, was Lord Advocate in the Reform Ministry of 1830, and he is never tired of describing Lord Althorp. "There is something," he writes, "to me quite delightful in his calm, clumsy, courageous, immutable probity, and it seems to have a charm for everybody." "I went to Althorp," he writes, "again, and had a characteristic scene with that most honest, frank, true, and stout-hearted of God's creatures. He had not come downstairs, and I was led up to his dressing-room, with his arms (very rough and hairy) bare above the elbows, and his beard half shaved and half staring through the lather, with a desperate razor in one hand, and a great soap-brush in the other. He gave me the loose finger of his brush hand, and with the usual twinkle of his bright eye and radiant smile, he said, 'You need not be anxious about your Scotch Bills to-night, for we are no longer his Majesty's Ministers'." And soon after he writes again, at a later stage of the ministerial crisis, "When they came to summon Lord Althorp to a council on the duke's giving in, he was found in a shed with a groom, busy oiling the locks of his fowling-pieces, and lamenting the decay into which they had fallen during his Ministry". And on another occasion he adds what may serve as an intellectual accompaniment to these descriptions: "Althorp, with his usual frankness, gave us a pretended confession of his political faith, and a sort of creed of his political morality, and showed that though it was a very shocking doctrine to promulgate, he must say that he had never sacrificed his own inclinations to a sense of duty without repenting it, and always found himself more substantially unhappy for having employed himself for the public good". And some one else at the time said, "The Government cannot be going out, for Althorp looks so very dismal". He was made (as we learn from this volume) a principal Minister, contrary to his expectation and in opposition to his wish. He was always wanting to resign; he was always uncomfortable, if not

wretched; and the instant he could do so, he abandoned politics, and would never touch them again, though he lived for many years. And this, though in appearance he was most successful, and was almost idolised by his followers and friends.

At first this seems an exception to one of Nature's most usual rules. Almost always, if she gives a great faculty she gives also an enjoyment in the use of it. But here Nature had given a remarkable power of ruling and influencing men —one of the most remarkable (good observers seem to say) given to any Englishman of that generation; and yet the possessor did not like, but, on the contrary, much disliked to use it. The explanation, however, is, that not only had Nature bestowed on Lord Althorp this happy and great gift of directing and guiding men, but, as if by some subtle compensation, had added what was, under the circumstances, a great pain to it. She had given him a most sluggish intellect—only moving with effort, and almost with suffering—generally moving clumsily, and usually following, not suggesting. If you put a man with a mind like this—especially a sensitive, conscientious man such as Lord Althorp was—to guide men quickly through complex problems of legislation and involved matters of science, no wonder that he will be restive and wish to give up. No doubt the multitude wish to follow him; but where is he to tell the multitude to go? His mind suggests nothing, and there is a pain and puzzle in his brain.

Fortune and education had combined in Lord Althorp's case to develop his defects. His father and mother were both persons of great cultivation, but they were also busy people of the world, and so they left their son to pick up his education as he could. A Swiss footman, who did not know English very well, taught him to read, and "was his sole instructor and most intimate associate till he went to Harrow". His father, too, being a great fox-hunter, the son, as a young boy, clearly cared more for, and was more occupied with, hounds and animals, than anything else; and he lived mainly with servants and people also so occupied, from which, as might be expected, he contracted a shyness and awkwardness which stayed with him through life. When he went to Harrow, the

previous deficiencies of his education were, of course, against him, and he seems to have shown no particular disposition to repair them. As far as can now be learnt, he was an ordinary strong-headed and strong-willed English boy, equal to necessary lessons, but not caring for them, and only distinguished from the rest by a certain suppressed sensibility and tenderness, which he also retained in after years, which softened a manliness that would otherwise have been rugged, and which saved him from being unrefined.

At Cambridge his mother, as it appears, suddenly, and for the first time, took an interest in his studies, and told him she should expect him to be high at his first college examination. And this seems to have awakened him to industry. The examination was in mathematics, which suited him much better than the Harrow classics, and he really came out high in it. The second year it was the same, though he had good competitors. But there his studies ended. His being a nobleman at that time excluded him from the university examinations, and he was far too apathetic to work at mathematics, except for something of the sort, and his tutor seems to have discouraged his doing so. Then, as since, the bane of Cambridge has been a certain incomplete and rather mean way of treating great studies, which teaches implicitly, if not plainly, that it is as absurd to learn the differential calculus in and for itself as it would be to keep a ledger for its own sake. On such a mind as Lord Althorp's, which required as much as possible to be awakened and kept awake to the interest of high studies, no external surroundings could have been more fatal. He threw up his reading and took to hounds, betting, and Newmarket, and to all which was then, even if not since, thought to be most natural, if not most proper, in a young nobleman.

As far as classical studies are concerned he probably lost nothing. He was through life very opaque to literary interests, and in his letters and speeches always used language in the clumsiest way. But he had—perhaps from his childish field-sports—a keen taste for animals and natural history, which nowadays would have been developed into a serious pursuit.

And as it was, he had an odd craving for figures, which might have been made something of in mathematics. "He kept," we are told, "an account of every shot he fired in the course of a year, whether he missed or killed, and made up the book periodically." He would not pass the accounts of the Agricultural Society without hunting for a missing threepence; and when Chancellor of the Exchequer, he used, it is said, "to do all his calculations, however complicated, alone in his closet," which his biographer thinks very admirable, and contrasts with the habit of Mr. Pitt, "who used to take a Treasury clerk into his confidence," but which was really very absurd. It is not by such mechanical work that great Budgets are framed; and a great Minister ought to know what *not* to do himself, and how to use, for everything possible, the minds of others. Still there is much straightforward strength in this, if also some comic dulness.

If Lord Althorp's relatives did not give him a very good education, they did not make up for it by teaching him light accomplishments. They sent him the "grand tour," as it was then called; but he was shy and awkward, seems to have had no previous preparation for foreign society, would not go into it, and returned boasting that he could not speak French. His mother—a woman of great fashion and high culture—must have sighed very much over so uncourtly and so "English" an eldest son.

Then, in the easy way of those times—it was in 1804—he was brought into Parliament for Okehampton, a nomination borough, some "Mr. Strange," a barrister, retiring in his favour, and his interest being strong, he was made a Lord of the Treasury. But the same apathy to intellectual interests which showed itself at college clung to him here also. He showed energy, but it was not the energy of a man of business. He passed, we are told, "the greatest part of his time in the country, and when he attended at the Treasury, which was very rarely, and only on particular occasions to make up a Board, he returned home immediately afterwards. Indeed, he used to have horses posted on the road from London to Althorp, and often rode down at night, as soon as the House

had risen, in order that he might hunt with the Pytchley the next morning." "On these occasions," says another account, "he had no sleep, and often the hacks which he rode would fall down on the road." And years afterwards the old clerks at the office used to tell of the rarity and brevity of his visits to the department, and of the difficulty of getting him to stay;—all which shows force and character, but still not the sort of character which would fit a man to be Chancellor of the Exchequer. But though he had much of the want of culture, Lord Althorp had none of the unfeelingness which also the modern world is getting somehow to attach to the character of the systematic sportsman. On the contrary, he was one of the many instances which prove that this character may be combined with an extreme sensibility to the suffering of animals and man. He belonged to the class of men in whom such feelings are far keener than usual, and his inner character approached to the "Arnold type," "for to hear of cruelty or injustice pained him" almost "like a blow".

He, it seems, kept a hunting journal, which tells how his hounds found a fox at Parson's Hill, and "ran over old Naseby field to Althorp in fifty minutes, and then, after a slight check, over the finest part of Leicestershire"; and all that sort of thing. But probably it does not tell one the very natural consequence which happened to him from such a life. Being a somewhat uncouth person, addicted to dogs and horses—a "man's man," as Thackeray used to call it—he did not probably go much into ladies' society, and was not very aggressive when he was there. But men who do not make advances to women are apt to become victims to women who make advances to them; and so it was with Lord Althorp. He married a Miss Acklom, a "Diana Vernon" sort of person, "rather stout, and without pretension to regular beauty"; but nevertheless, it is said, "with something prepossessing about her—clever, well-read, with a quick insight into the character of others, and with much self-dependence". And this self-dependence and thought she showed to her great advantage in the principal affair of her life. Lord Althorp's biographer is sure, but does not say how, that the first declaration of love was made by the lady; he was,

it seems, too shy to think of such a thing. As a rule, marriages in which a young nobleman is actively captured by an aggressive lady are not domestically happy, though they may be socially useful, but in this case the happiness seems to have been exceptionally great; and when she died, after a few years, he suffered a very unusual grief. "He went," we are told, "at once to Winton, the place where he had lived with her, and passed several months in complete retirement, finding his chief occupation in reading the Bible," in which he found, at first, many grave difficulties, such as the mention of the constellation "Orion" by the prophet Amos, and the high place (an equality with Job and David) given by Ezekiel to the prophet Daniel when still a young man, "and before he had proved himself to be a man of so great a calibre as he certainly did afterwards". On these questions, he adds, "I have consulted a Mr. Shepherd, the clergyman here, but his answers are not satisfactory". Happily, however, such a man is not at the mercy of clergymen's answers, nor dependent on the petty details of ancient prophets. The same sensibility which made him keenly alive to justice and injustice in things of this world, went further, and told him of a moral government in things not of this world. No man of or near the Arnold species was ever a sceptic as to, far less an unbeliever in, ultimate religion. New philosophies are not wanted or appreciated by such men, nor are book-arguments of any real use, though these men often plod over them as if they were; for in truth an inner teaching supersedes everything, and for good or evil closes the controversy; no discussion is of any effect or force; the court of appeal, fixed by nature in such minds, is peremptory in belief, and will not hear of any doubt. And so it was in this case. Through life Lord Althorp continued to be a man strong, though perhaps a little crude, in religious belief; and thus gained at the back of his mind a solid seriousness which went well with all the rest of it. And his grief for his wife was almost equally durable. He gave up not only society, which perhaps was no great trial, but also hunting—not because he believed it to be wrong, but because he did not think it seemly or suitable that a man after such a loss should

be so very happy as he knew that hunting would make him.

Soon after his marriage he had begun to take an interest in politics, especially on their moral side, and of course the increased seriousness of his character greatly augmented it. Without this change, though he might have thought himself likely to be occasionally useful in outlying political questions, probably he would have had no grave political career, and his life never would have been written. But the sort of interest which he took in politics requires some explanation, for though his time was not very long ago, the change of feeling since then is vast.

"If any person," said Sir Samuel Romilly, the best of judges, for he lived through the times and was mixed up, heart and soul, in the matters he speaks of, "if any person be desirous of having an adequate idea of the mischievous effects which have been produced in this country by the French Revolution and all its attendant horrors, he should attempt some reforms on humane and liberal principles. He will then find not only what a stupid spirit of conservation, but what a savage spirit, it has infused into the minds of his countrymen." And very naturally, for nothing is so cruel as fear. A whole generation in England, and indeed in Europe, was so frightened by the Reign of Terror, that they thought it could only be prevented by another Reign of Terror. The Holy Alliances, as they were then called, meant this and worked for this. Though we had not in name such an alliance in England, we had a state of opinion which did the work of one without one. Nine-tenths of the English people were above all things determined to put down "French principles"; and unhappily "French principles" included what we should all now consider obvious improvements and rational reforms. They would not allow the most cruel penal code which any nation ever had to be mitigated; they did not wish justice to be questioned; they would not let the mass of the people be educated, or at least only so that it came to nothing; they would not alter anything which came down from their ancestors, for in their terror they did not know but there might be some charmed value even in the most insignifi-

cant thing; and after what they had seen happen in France, they feared that if they changed a single iota all else would collapse.

Upon this generation, too, came the war passion. They waged, and in the main—though with many errors—waged with power and spirit, the war with Napoleon; and they connected this with their horror of liberal principles in a way which is now very strange to us, but which was very powerful then. We know now that Napoleon was the head of a conservative reaction, a bitter and unfeeling reaction, just like that of the contemporary English; but the contemporary English did not know this. To the masses of them he was *Robespierre à cheval*, as some one called him—a sort of Jacobin waging war, in some occult way, for liberty and revolution, though he called himself Emperor. Of course, the educated few gradually got more or less to know that Napoleon hated Jacobins and revolution, and liberty too, as much as it is possible to hate them; but the ordinary multitude, up to the end of the struggle never dreamed of it. Thus, in an odd way, the war passion of the time strengthened its conservative feeling; and in a much more usual way it did so too, for it absorbed men's minds in the story of battles and the glory of victories, and left no unoccupied thought for gradual improvement and dull reform at home. A war time, also, is naturally a harsh time; for the tale of conflicts which sometimes raises men from pain, also tends to make men indifferent to it: the familiarity of the idea ennobles but also hardens.

This savageness of spirit was the more important because, from deep and powerful economical agencies, there was an incessant distress running through society, sometimes less and sometimes more, but always, as we should now reckon, very great. The greatest cause of this was that we were carrying on, or trying to carry on, a system of Free Trade under a restrictive tariff: we would not take foreign products, and yet we wished to sell foreigners ours. And our home market was incessantly disordered. First the war, and then the corn-laws, confined us chiefly to our own soil for our food; but that soil was of course liable to fail in particular years, and then the price of food rose rapidly, which threw all other markets into confusion—for people must live first, and can only spend the

surplus, after paying the cost of living, upon anything else. The fluctuations in the demand for our manufactures at home were ruinously great, though we were doing all we could to keep them out of foreign markets, and the combined effect was terrible. And the next great cause was that we were daily extending an unprecedented system of credit without providing a basis for it, and without knowing how to manage it. There was no clear notion that credit, being a promise to pay cash, must be supported by proportionate reserves of cash held in store; and that as bullion is the international cash, all international credit must be sustained by a store of bullion. In consequence, all changes for the worse in trade, whether brought on by law or nature, caused a destruction of confidence, and diffused an uneasy moral feeling which made them far worse than they would have been otherwise. The immense fluctuations in our commerce, caused by Protection, were aggravated by immense fluctuations in our credit, and the combined result was unspeakably disastrous.

During the French war these causes were not so much felt. Trade was better, because we were creating a foreign market for ourselves. Just as lately, by lending to a miscellaneous mass of foreign countries, we enabled those countries to buy of us, so in the great war, by large subsidies and huge foreign expenditure, we created a "purchasing power" which was ultimately settled by our manufactures. We had nothing else to settle it with; if we did not send them direct, we must use them to buy the bullion, or whatever else it might be which we did send indirectly. This "war demand," of which so much is said in the economical literature of those years, of course ceased at the peace; and as we declined to take foreign products in exchange for ours, no substitute for it could be found, and trade languished in consequence. Agriculture, too, was worse after the peace, for the natural protection given by the war was far more effective than the artificial protection given by the corn-laws. The war kept out corn almost equally whatever was the price, but the corn-laws were based on the "sliding scale," which let in the corn when it became dear. Our farmers, therefore, were encouraged to grow more corn

than was enough for the country in good years, which they could not sell; and they did not get a full price in bad years, for the foreign corn came in more and more as the price rose and rose. Though the protection availed to hurt the manufacturer, it was not effectual in helping the farmer. And the constant adversity of other interests, by a reflex action, also hurt him. Committees on agricultural distress, and motions as to the relief of trading distress, alternate in the Parliamentary debates of those years. Our credit system, too, was in greater momentary danger after the peace than before; for during the war it was aided by a currency of inconvertible paper, which absolved us from the necessity of paying our promises in solid cash, though at very heavy cost in other ways, both at the instant and afterwards.

These fluctuations in trade and agriculture of course told on the condition of the working classes. They were constantly suffering, and then the "savage spirit" of which Sir Samuel has spoken showed itself at its worst. Suffering, as usual, caused complaint, and this complaint was called sedition. The Habeas Corpus Act was suspended, harsh laws were passed, and a harsher administration incited to put it down. It could not be put down. It incessantly smouldered and incessantly broke out, and for years England was filled with the fear of violence, first by the breakers of the law and then by the enforcers of it.

Resistance to such a policy as this was most congenial to a nature half unhinged by misfortune, and always in itself most sensitive and opposed to injustice. Even before his wife's death, Lord Althorp had begun to exert himself against it, and afterwards he threw the whole vigour not only of his mind but of his body into it. So far from running away perpetually to hunt, as in old times, he was so constant in his attendance in Parliament that tradition says hardly any one, except the clerks at the table, was more constantly to be seen there. He opposed all the Acts by which the Tory Government of the day tried to put down disaffection instead of curing it, and his manly energy soon made him a sort of power in Parliament. He was always there, always saying what was

clear, strong, and manly; and therefore the loosely-knit Opposition of that day was often guided by him; and the Ministers, though strong in numerical majority, feared him, for he said things that the best of that majority understood in a rugged English way, which changed feelings, even if it did not alter votes. He was a man whom every one in the House respected, and who therefore spoke to prepossessed hearers. No doubt, too, the peculiar tinge which grief had given to his character added to his influence. He took no share in the pleasures of other men. Though a nobleman of the highest place, still young, as we should now reckon (he was only thirty-six when Lady Althorp died), he stood aloof from society, which courted him, and lived for public business only; and therefore he had great weight in it, for the English very much value obviously conscientious service, and the sobered fox-hunter was a somewhat interesting character.

He had not indeed any clear ideas of the cause of the difficulties of the time, or of the remedies for them. He did no doubt attend much to economical questions; and his taste for figures, shown before in calculating the ratio of his good shots to his bad, made statistical tables even pleasing to him. His strong sense, though without culture and without originality, struggled dimly and sluggishly with the necessary problems. But considering that he lived in the days of Huskisson and Ricardo, his commercial ideas are crude and heavy. He got as far as the notion that the substitution of direct taxes for the bad tariff of those days would be "a good measure"; but when he came to apply the principle he failed from inability to work it out. Nor did years of discussion effectually teach him. In his great Budget of 1832—the first which the Whigs had made for many years, and at which therefore every one looked with unusual expectation—he proposed to take off a duty on tobacco and to replace it by a tax on the transfer of real and funded property, together with a tax on the import of raw cotton; and it was the necessity of having to withdraw the larger part of this plan, that more than anything else first gave the Whigs that character for financial incapacity which clung to them so long. A crude good sense

goes no way in such problems, and it is useless to apply it to them. The other economical problem of the time, how to lay a satisfactory basis for our credit, Lord Althorp was still less able to solve, and excusably so; for the experience which has since taught us so much did not exist, and the best theories then known were very imperfect. The whole subject was then encumbered with what was called the "currency question," and on this Lord Althorp's views were fairly sensible, but no more.

I have said what may seem too much of the distresses of the country fifty or sixty years ago, not only because the mode in which he dealt with them is the best possible illustration of Lord Althorp's character, but also because some knowledge of them is necessary to an understanding of "Parliamentary reform," as it was in his time, on account of which alone any one now cares for him. The "bill," if I may say so, for these miseries of the country was sent in to the old system of Parliamentary representation; and very naturally. The defenders of that system of necessity conceded that it was anomalous, complex, and such as it would have been impossible to set up *de novo*. But they argued that it was practically successful, worked well, and promoted the happiness of the people better than any other probably would. And to this the inevitable rejoinder at the time was: "The system does not work well; the country is not happy; if your system is as you say to be judged by its fruits, that system is a bad system, for its fruits are bad, and the consequences everywhere to be seen in the misery around us". Upon many English minds which would have cared nothing for an argument of theoretical completeness, this "practical" way of arguing, as it was called, pressed with irresistible strength.

The unpopularity was greater because a new generation was growing up with other "thoughts" and other "minds" than that which had preceded it. Between 1828 and 1830 a new race came to influence public affairs, who did not remember the horrors of the French Revolution, and who had been teased to death by hearing their parents talk about them. The harsh and cruel spirit which those horrors had awakened in

their contemporaries became itself, by the natural law of reaction, an object of disgust and almost of horror to the next generation. When it was said that the old structure of Parliament worked well, this new race looked not only at the evident evils amid which they lived, but at the oppressive laws and administrations by which their fathers had tried to cure those evils; and they "debited" both to the account of the old Parliament. It was made responsible for the mistaken treatment as well as for the deep-rooted disease, and so the gravest clouds hang over it.

The Duke of Wellington, too (the most unsuccessful of premiers as well as the most successful of generals), broke the Tory party—the natural party to support this system—into fragments. With a wise renunciation both of his old principles and of his fixed prejudices, he had granted "Catholic Emancipation," and so offended the older and stricter part of his followers. They accused him of treachery, and hated him with a hatred of which in this quiet age, when political passion is feeble, we can hardly form an idea. And he then quarrelled, also, with the best of the moderate Right—Mr. Huskisson and the Canningites. He had disliked Mr. Canning personally when alive, he hated still more the liberal principles which he had begun to introduce into our foreign policy, and he was an eager, despotic man, who disliked difference of opinion; so just when he had broken with the most irrational section of his party, he broke with its most rational members too, and left himself very weak. No one so much, though without meaning it, aided the cause of Parliamentary change, for he divided and enfeebled the supporters of the old system; he took away the question of Catholic Emancipation which before filled the public mind; and he intensified the unpopularity of all he touched by the idea of a "military premier," for which we should not care now, but which was odious and terrible then, when men still feared oppression from the Government.

Upon minds thus predisposed, the French Revolution of 1830 broke with magical power. To the young generation it seemed like the fulfilment of their dreams,

—"The meagre, stale, forbidding ways
Of custom, law, and statute, took at once
The attraction of a country in Romance,"

and there came upon them eager thoughts that they might still be

—"called upon to exercise their skill
Not in Utopia, subterranean fields,
Or some secreted island, heaven knows where,
But in the very world, which is the world
Of all of us".[1]

And even to soberer persons this new revolution seemed to prove that change, even great change, was not so mischievous as had been said—that the good of 1789 might be gained without the evil, and that it was absurd not to try reform when the unreformed world contained so much which was miserable and so much which was difficult to bear. Even a strong Tory Ministry might have been overthrown, so great was the force of this sudden sentiment; the feeble Ministry of the Duke of Wellington fell at once before it, and the Whigs were called to power.

Their first act was to frame a plan of Parliamentary reform, and that which they constructed was many times larger than anything which any one expected from them. All those who remember those times say that when they heard what was proposed they could hardly believe their ears. And when it was explained to the House of Commons, the confusion, the perplexity, and the consternation were very great. Reform naturally was much less popular in the assembly to be reformed than it was elsewhere. The general opinion was that if Sir Robert Peel had risen at once and denounced the Bill as destructive and revolutionary he might have prevented its being brought in. Another common opinion in the House was that the "Whigs would go out next morning". But the Bill had been framed by one who, with whatever other shortcomings and defects, has ever had a shrewd eye for the probable course of public opinion. "I told Lord Grey," says Lord Russell, "that none but a large measure would be a safe measure." And accordingly, as soon

[1] Wordsworth's *Prelude*.

as its provisions came to be comprehended by the country, there was perhaps the greatest burst of enthusiasm which England has ever seen (certainly the greatest enthusiasm for a law, though that for a favourite person may sometimes have risen as high or higher). A later satirist has spoken of it as the "Great Bill for giving everybody everything," and everybody almost seems to have been as much in favour of it as if they were to gain everything by it. Agricultural counties were as eager as manufacturing towns; men who had always been Tories before were as warm as Liberals. The country would have "the Bill, the whole Bill, and nothing but the Bill".

But this enthusiasm did not of itself secure the passing of the Bill. There were many obstacles in the way which it took months to overcome, and which often made many despair. First, the Bill was not one of which the political world itself strongly approved; on the contrary, if left to itself, that world would probably have altogether rejected it. It was imposed by the uninitiated on the initiated, by the many on the few; and inevitably those who were compelled to take it did not like it. Then, the vast proposals of the Ministry deeply affected many private interests. In 1858 I heard an able politician say, "The best way for a Government to turn itself out is to bring in a Reform Bill; the number of persons whom every such bill must offend is very great, and they are sure to combine together, not on Reform, but on something else, and so turn out the Government". And if there was serious danger to a Ministry which ventured to propose such petty reforms as were thought of in 1858, we can imagine the magnitude of the danger which the Ministry of 1832 incurred from the great measure they then brought in. One member, indeed, rose and said, "I am the proprietor of Ludgershall, I am the member for Ludgershall, I am the constituency of Ludgershall, and in all three capacities I assent to the disfranchisement of Ludgershall". But the number of persons who were so disinterested was small. The Bill of 1832 affected the franchise of every constituency, and, therefore, the seat of every member; it abolished the seats of many, and destroyed the right of nomination to seats also possessed by many; and nothing could be more repugnant to

the inclinations of most. A House of Commons with such a Bill before it was inevitably captious, unruly, and difficult to guide. And even if there had been or could have been a House of Commons which at heart liked the Bill, there would still have been the difficulty that many other people then most influential did not much like it. A great many members of the Cabinet which proposed it, though they believed it to be necessary, did not think it to be desirable. The country would have some such measure, and therefore they proposed this. "Lord Palmerston and Mr. Grant," says Lord Russell, "had followed Mr. Canning in his opposition to Parliamentary Reform. Lord Lansdowne and Lord Holland had never been very eager on the subject." Lord Brougham did not approve of the disfranchisement of nearly so many boroughs, and others of the Cabinet were much of the same mind. Their opinion was always dubious, their action often reluctant, and, according to Mr. Greville, some of the most influential of them, being very sensitive to the public opinion of select political society, were soon "heartily ashamed of the whole thing".

The House of Lords, too, was adverse, not only as an assembly of men mostly rich and past middle age is ever adverse to great political change, or as a privileged assembly is always hostile to any movement which may destroy it, but for a reason peculiar to itself. The English House of Lords, as we all know, is not a rigid body of fixed number like the upper chambers of book constitutions, but an elastic body of unfixed number. The Crown can add to its members when it pleases and as it pleases. And in various ways which I need not enumerate now, this elasticity of structure has been of much use, but in one way it does much harm. The Crown for this purpose means the Ministry; the Ministry is appointed by a party, and is the agent of that party, and therefore it makes peers from its own friends all but exclusively. Under a Tory Government more than nine-tenths of the new peers will be Tory; under a Whig Government more than nine-tenths will be Whig; and if for a long course of years either party has been continuously, or nearly so, in power, the House of Lords will be filled with new members belonging to it. And this is

a serious inconvenience, because the longer any party has been thus in power, the more likely it is to have to go out and lose power; and the new Ministry which comes in, and the new mode of thought which that Ministry embodies, finds itself face to face with a House of Peers embodying an antagonistic mode of thought, and one formed by its enemies. In 1831 this was so; for the Tories had been in office almost without a break since 1784, had created peers profusely, who were all Tories, and added the Irish elective peers, who, from the mode of election, were all Tories too. In consequence, the reform movement of 1831 and 1832 found itself obstinately opposed to a hostile House of Lords, whose antagonism aided the reluctance diffused through the House of Commons, and fostered the faintheartedness common in the Cabinet. The King, too, who had begun by being much in favour of reform, gradually grew frightened. His correspondence with Lord Grey gives a vivid picture of a well-meaning, but irresolute man, who is much in the power of the last speaker, who at last can be securely relied on by no one, and who gives incessant (and as it seems unnecessary) trouble to those about him. The rising republicanism of the day will find in these letters much to serve it; for, however convinced one may be, on general grounds, that English royalty was necessary to English freedom at that time, it is impossible not to be impatient at seeing how, month after month in a great crisis, when there was so much else to cause anxiety and create confusion, one stupid old man should have been able to add so much to both.

And all through the struggle the two effects of the new French Revolution were contending with one another. Just as it aroused in young and sanguine minds (and the majority of the country was just then disposed to be sanguine) the warmest hopes, in minds oppositely predisposed it aroused every kind of fear. Old and timid people thought we should soon have in England "Robespierre and the guillotine". Indeed, in a way that is rather amusing now to consider, the French horrors of 1793 are turned into a kind of intellectual shuttlecock by two disputants. One says, "See what comes of making rash changes, how many crimes they engender, and

how many lives they lose!" "No," replies the other; "see what comes of not making changes till too late, for it was delay of change, and resistance to change, which caused those crimes and horrors." Nor were these unreal words of mere rhetoric. They told much on many minds; for what France had done and would do then naturally filled an immense space in men's attention, as for so many years not long since, Europe had been divided into France and anti-France.

With all these obstacles in its way, the Ministry of 1831 had the greatest difficulty in carrying the Reform Bill. I have not space to narrate, even in the briefest way, the troubled history of their doing so. Parliamentary debates are generally dull in the narration; but so great was the excitement, and so many were the relieving circumstances, that an accomplished historian will be able to make posterity take some sort of exceptional interest in these. The credit of the victory, such as it is, must be divided between many persons. Lord Grey managed the King, and stood first in the eye of the country; Lord Russell contributed the first sketch of the Bill, containing all its essential features, both good and bad, and he introduced the first Bill into the House of Commons; the late Lord Derby then first showed his powers as a great debater. But the best observers say that Lord Althorp carried the Bill: he was leader of the House at the time, and the main strain of ruling one of the most troubled of Parliaments was on him. His biographer, Sir Denis Le Marchant, who was present at the debates, says:—

"Lord Althorp's capacity as a leader had been severely tested throughout this tremendous struggle, and it extorted the praise even of his political opponents. I recollect Sir Henry Hardinge saying, 'It was Althorp carried the Bill. His fine temper did it. And in answer to a most able and argumentative speech of Crocker, he rose and merely said that "he had made some calculations which he considered as entirely conclusive in refutation of the right honourable gentleman's arguments which he had mislaid, but if the House would be guided by his advice they would reject the amendment,"—which they accordingly did. There is no standing against such influence as this.' The Whigs ascribed Lord Althorp's influence not to his temper alone, but to the confidence felt by the House in his integrity and sound judgment, an opinion so universal that Lord Grey was induced by it to press upon him a peerage, that he might take charge of the Bill in the committee of the Lords; and the design was abandoned

not from any hesitation or unwillingness on the part of Lord Althorp, but from the difficulty of finding a successor to him in the Commons." [1]

So bad a speaker, with so slow a mind, has never received so great a compliment in a scene where quickness and oratory seem at first sight to be the most absolutely requisite of qualities. But it is no doubt a great mistake to imagine that these qualities are the true essentials to success of this kind. A very shrewd living judge says, after careful reflection, that they are even hurtful. "A man," says Mr. Massey in his history, "who speaks seldom, and who speaks ill, is the best leader of the House of Commons." And no doubt the slow-speeched English gentleman rather sympathises with slow speech in others. Besides, a quick and brilliant leader is apt to be always speaking, whereas a leader should interfere only when necessary, and be therefore felt as a higher force when he does so. His mind ought to be like a reserve fund—not invested in showy securities, but sure to be come at when wanted, and always of staple value. And this Lord Althorp's mind was; there was not an epigram in the whole of it; everything was solid and ordinary. Men seem to have trusted him much as they trust a faithful animal, entirely believing that he would not deceive if he could, and that he could not if he would.

But what, then, was this great "Bill"—which it was so great an achievement to pass? Unfortunately, this is not an easy question to answer shortly. The "Bill" destroyed many old things and altered many old things, and we cannot understand its effects except in so far as we know what these old things were.

"A variety of rights of suffrage," said Sir James Mackintosh, "is the principle of the English representation." How that variety began is not at all to the present purpose; it grew as all English things grow—by day-by-day alterations from small beginnings; and the final product was very different from the first beginning, as well as from any design which ever at any one time entered any one's mind. There always was a great contrast between the mode of representation in

[1] *Memoir*, chap. xix.

boroughs and in counties, because there was a great contrast in social structure between them. The "knight of the shire" was differently chosen from the "burgess of the town," because the "shire" was a different sort of place from the "town" and the same people could not have chosen for the two—the same people not existing in the two. The borough representations of England, too, "struggled up"—there is hardly any other word to describe it—in a most irregular manner. The number of towns which sent representatives is scarcely ever the same in any two of our oldest Parliaments. The sheriff had a certain discretion, for the writ only told him to convene "de quolibet burgo duos burgenses," and did not name any towns in particular. Most towns then disliked the duty and evaded it, if possible, which seems to have augmented the sheriff's power, for he could permit or prevent the evasion as much as he chose. And at a very early period great differences grew up between the ways of election in the towns which were always represented. There seems to have been a kind of "natural selection"; the most powerful class in each borough chose if it could at each election, and if any class long continued the most powerful, it then acquired customary rights of election which came to be unalterable. Nor was there any good deciding authority to regulate this confusion. The judge of elections was the "House of Commons" itself, and it often decided not according to law or evidence, but as political or personal influence dictated. And rights of election thus capriciously recognised became binding on the borough for ever. As might be expected, the total result was excessively miscellaneous. The following are the franchises of the boroughs in two counties as legislators of 1832 found them.

SOMERSETSHIRE.

BRISTOL . .	Freeholders of 40s., and free burgesses.
BATH . .	Mayor, aldermen, and common councilmen only.
WELLS . .	Mayor, masters, burgesses, and freemen of the seven trading companies of the said city.
TAUNTON .	Potwallers not receiving alms or charity.
BRIDGWATER .	Mayor, alderman, and twenty-four capital burgesses of the borough paying scot and lot.

ILCHESTER	Alleged to be the inhabitants of the said town paying scot and lot, which the town called potwallers.
MINEHEAD	The parishioners of Dunster and Minehead, being housekeepers in the borough of Minehead, and not receiving alms.
MILBORN PORT	The capital bailiffs and their deputies, the number of bailiffs being nine, and their deputies being two; in the commonalty, stewards, their number being two; and the inhabitants thereof paying scot and lot.

LANCASHIRE.

LANCASHIRE	Freemen only.
WIGAN	Free burgesses.
CLITHEROE	Freeholders resident and non-resident.
LIVERPOOL	Mayor, bailiffs, and freemen not receiving alms.
PRESTON	All the inhabitants.

Nothing could be more certain than that a system which was constructed in this manner must sooner or later need great alteration. Institutions which have grown from the beginning by adaptation may last as long as any, if they continue to possess the power of adaptation. The force which created them still exists to preserve them. But in this case the power of adaptation was gone. A system of representation made without design was fixed as eternal upon a changing nation, and somehow or other it was sure to become unsuitable. Nothing could be more false in essence than the old anti-reform arguments as far as they affected the "wisdom of our ancestors"; for the characteristic method of our ancestors had been departed from. Our ancestors changed what they wanted bit by bit, just when and just as they wanted. But their descendants were forbidden to do so; they were asked to be content not only with old clothes, but with much-patched old clothes, which they were denied the power to patch again. And this sooner or later they were sure to refuse.

In 1832 a grave necessity existed for changing it. The rude principle of natural selection by which it had been made, ensured that, at least approximately, the classes most influential in the nation would have a proportionate power in the legislation; no great class was likely to be denied anything approaching to its just weight. But now that a system framed

in one age was to be made to continue unchanged through after ages, there was no such security. On the contrary, the longer the system went on without change the more sure it was to need change. Some new class was sure in course of time to grow up for which the fixed system provided no adequate representatives; and the longer that system continued fixed, the surer was this to happen, and the stronger was it likely that this class would be. In 1832, such a class had arisen of the first magnitude. The trading wealth of the country had created a new world which had no voice in Parliament comparable to that which it had in the country. Not only were some of the greatest towns, like Birmingham and Manchester, left without any members at all, but in most other towns the best of the middle class felt that they had no adequate power: they were either extinguished by a franchise too exclusive, or swamped by one too diffused; either way, they were powerless.

There was equal reason to believe that, by the same inevitable course of events, some class would come to have more power in Parliament than it should. The influence which gave the various classes their authority at the time in which the machinery of our representation was framed, would be sure in time to ebb away, wholly or in part, from some of them. And in matter of fact they did so. The richer nobility and the richer commoners had come to have much more power than they ought. The process of letting the most influential people in a borough choose its members, amounted in time to letting the great nobleman or great commoner to whom the property of the town belonged, choose them. And many counties had fallen into the direction of the same hands also, so that it was calculated, if not with truth, at any rate with an approach to it, that one hundred and seventy-seven lords and gentlemen chose as many as three hundred and fifty-five English members of Parliament. The Parliamentary power of these few rich peers and squires was much too great when compared with their share in the life of the nation, just as that of the trading class was too weak; the excess of the one made the deficiency of the other additionally difficult to bear; and the contrast was

more than ever galling in the years from 1830 to 1832, because just then the new French Revolution had revived the feud between the privileged classes and the non-privileged. The excessive Parliamentary power of these few persons had before been a yoke daily becoming heavier and heavier, and now it could be endured no longer.

The "Reform Bill" amended all this. It abolished a multitude of nomination boroughs, gave members to large towns and cities, and changed the franchise, so that in all boroughs, at any rate, the middle classes obtained predominant power. And no one can deny that the good so done was immense; indeed, no one does now deny it, for the generation of Tories that did so has passed away. No doubt the Reform Act did not produce of itself at once the new heaven and new earth which its more ardent supporters expected of it. It did nothing to remove the worst evils from which the country suffered, for those evils were not political but economical; and the classes whom it enfranchised were not more economically instructed than those whom they superseded. The doctrine of Protection then reigned all through the nation, and while it did so no real cure for those evils was possible. But this Act, coming as it did when a new political generation was prepared to make use of it, got rid entirely of the "cruel spirit" by which our distresses had been repressed before, and which was as great an evil as those distresses themselves, introduced many improvements—municipal reform, tithe reform, and such like—in which the business-like habit of mind due to the greater power of the working classes mainly helped and diffused a sweeter and better spirit through society.

But these benefits were purchased at a price of the first magnitude, though, from the nature of it, its payment was long deferred. The reformers of 1832 dealt with the evils of their time, as they would have said, in an English way, and without much thinking of anything else. And exactly in that English way, as they had under their hands a most curious political machine which had grown without design, and which produced many very valuable, though not very visible effects

they, without thought, injured and destroyed some of the best parts of it.

First, the old system of representation, as we have seen, was based on a variety of franchises. But, in order to augment the influence of the middle class, the reformers of 1832 destroyed that variety; they introduced into every borough the £10 household franchise, and with a slight exception, which we need not take account of, made that franchise the only one in all boroughs. They raised the standard in the boroughs in which it was lower than £10, and lowered it in those where it was higher; and in this way they changed the cardinal principle of the system which they found established, for uniformity as the rule, instead of variety.

And this worked well enough at first, for there was not for some years after 1832 much wish for any more change in our constituencies. But in our own time we have seen the harm of it. If you establish any uniform franchise in a country, then it at once becomes a question, What sort of franchise is it to be? Those under it will say that they are most unjustly excluded; they will deny that there is any real difference between themselves and those above; they will show without difficulty that some whom the chosen line leaves out, are even better than those whom it takes in. And they will raise the cry so familiar in our ears—the cry of class legislation. They will say, Who are these ten-pound householders, these arbitrarily chosen middle-class men, that they should be sole electors? Why should they be alone enfranchised and all others practically disfranchised, either by being swamped by their more numerous votes or by not having votes at all? The case is the stronger because one of the most ancient functions of Parliament, and especially the Commons' House of Parliament, is the reformation of grievances. This suited very well with the old system of variety; in that miscellaneous collection of constituencies every class was sure to have some members who represented it. There were then working-class constituencies sending members to speak for them—"men," says Mackintosh, "of popular talents, principles, and feelings; quick in suspecting oppression, bold in resisting it, not thinking favourably

of the powerful; listening almost with credulity to the complaints of the humble and the feeble, and impelled by ambition when they are not prompted by generosity to be defenders of the defenceless". And in cases of popular excitement, especially of erroneous excitement, this plan ensured that it should have adequate expression, and so soon made it calm. But the legislation of 1832 destroyed these working men's constituencies; "they put the country," as it was said afterwards, "under ten-pounders only". And in consequence there are in our boroughs now nothing but working-class constituencies; there are no longer any ten-pound householders at all. There is throughout our boroughs a uniform sort of franchise, and that the worst sort—a franchise which gives the predominance to the most ignorant and the least competent, if they choose to use it. The middle classes have as little power as they had before 1832, and the only difference is, that before 1832 they were ruled by those who were richer than themselves, and now they are ruled by those who are poorer.

No doubt there is still an inequality in the franchise between counties and boroughs—the sole remnant of the variety of our ancient system. But that inequality is much more difficult to defend now when it stands alone, than it was in old times when it was one of many. And the "ugly rush" of the lower orders, which has effaced the "hard and fast" line established in 1832, threatens to destroy this remnant of variety. In a few years probably there will be but one sort of franchise throughout all England, and the characteristic work of 1832 will be completely undone; the middle classes, whose intelligence Macaulay praised, and to whom he helped to give so much power, will have had all that power taken away from them.

No doubt, too, there is still a real inequality of influence, though there is an even equality of franchise. The difference of size between different boroughs gives more power to those in the small boroughs than to those in the large. And this is very valuable, for elections for large boroughs are costly, and entail much labour that is most disagreeable. But here, again, the vicious precedent of establishing uniformity set in 1832 is

becoming excessively dangerous. Being so much used to it people expect to see it everywhere. There is much risk that before long there may be only one sort of vote and only one size of constituency all over England, and then the reign of monotony will be complete.

And, secondly, the reformers of 1832 committed an almost worse error in destroying one kind of select constituency without creating an intellectual equivalent. We are not used nowadays to think of nomination boroughs as select constituencies, but such, in truth, they were, and such they proved themselves to be at, perhaps, the most critical period of English history. Lord Russell, no favourable judge, tells us "that it enabled Sir Robert Walpole to consolidate the throne of the House of Hanover amid external and internal dangers". No democratic suffrage could then have been relied on for that purpose, for the mass of Englishmen were then more or less attached to their hereditary king, and they might easily have been induced to restore him. They had not, indeed, a fanatical passion of loyalty towards him, nor any sentiment which would make them brave many dangers on his behalf; but there was much sluggish and sullen prejudice which might have been easily aroused to see that he had his rights, and there were many relics of ancient loyal zeal which might have combined with that prejudice and ennobled it. Nor did the people of that day much care for what we should now call Parliamentary government. The educated opinion of that day was strongly in favour of the House of Hanover; but the numerical majority of the nation was not equally so; perhaps it would have preferred the House of Stuart. But the higher nobility and the richer gentry possessed a great power over the opinions of Parliament because many boroughs were subject to their control, and by exerting that power they, in conjunction with the trading classes, who were then much too weak to have moved by themselves, fixed the House of Hanover on the throne, and so settled the freedom of England. These boroughs at that time, for this purpose being select constituencies, were of inestimable value, because they enabled the most competent opinion in England to rule without dispute,

when, under any system of diffused suffrage, that opinion would either have been out-voted or almost so.

And to the last these boroughs retained much of this peculiar merit. They were an organ for what may be called specialised political thought, for trained intelligence busy with public affairs. Not only did they bring into Parliament men of genius and ability, but they kept together a higher political world capable of appreciating that genius and ability when young, and of learning from it when old. The Whig party, such as it was in those days especially, rested on this Parliamentary power. In them was a combination of more or less intelligent noblemen of liberal ideas and aims, who chose such men as Burke, and Brougham, and Hume, and at last Macaulay, to develop those ideas and to help to attain those aims. If they had not possessed this peculiar power, they would have had no such intellectual influence; they would have simply been gentlemen of what we now think good ideas, with no special means of advancing them. And they would not have been so closely combined together as they were; they would have been scattered persons of political intelligence. But having this power they combined together, lived together, thought together; and the society thus formed was enriched and educated by the men of genius whom it selected as instruments, and in whom in fact it found teachers. And there was something like it on the Government side, though the long possession of power, and perhaps the nature of Toryism, somewhat modified its characteristics.

The effect is to be read in the Parliamentary debates of those times. Probably they are absolutely better than our own. They are intrinsically a better discussion of the subjects of their day than ours are of our subjects. But however this may be, they are beyond question relatively better. General knowledge of politics has greatly improved in the last fifty years, and the best political thought of the present day is much superior to any which there was then. So that, even if our present Parliamentary debates retained the level of their former excellence they would still not bear the same relation to the best thought of the present, that the old

ones bear to the best thought of the past. And if the debates have really fallen off much (as I am sure they have), this conclusion will be stronger and more certain.

Nor is this to be wondered at. If you lessen the cause you will lessen the effect too. Not only are the men whom these select constituencies brought into Parliament not now to be be found there, but the society which formed those constituencies, and which chose those men, no longer exists. The old parties were combinations partly aristocratic, partly intellectual, cemented by the common possession and the common use of political power. But now that the power is gone the combinations are dissolved. The place which once knew them knows them no more. Any one who looks for them in our present London and our present politics will scarcely find much that is like them.

This society sought for those whom it thought would be useful to it in all quarters. There was a regular connection between the "Unions"—the great debating societies of Oxford and Cambridge—and Parliament. Young men who seemed promising had even a chance of being competed for by both parties. We all know the lines which the wit of Brookes's made upon Mr. Canning:—

> "The turning of coats so common is grown,
> That no one would think to attack it;
> But no case until now was so flagrantly known
> Of a schoolboy's turning his jacket."

This meant that it having been said and believed that Mr. Canning, who had just left Oxford, was to be brought into Parliament by the Whig Opposition, he went over to Mr. Pitt, and was brought in by the Tory Ministry. The Oxford Liberals of our generation are quite exempt from similar temptations. So far from their support in Parliament being craved by both sides, they cannot enter Parliament at all. When many of these tried to enter Parliament in the autumn of 1867, their egregious failure was one of the most striking events of that remarkable time.

There was a connection, too, then between the two parts of the public service now most completely divided—the per-

manent and the Parliamentary civil services. Now, as we all know, the chief clerks in the Treasury and permanent heads of departments never think of going into Parliament; they regard the Parliamentary statesmen who are set to rule over them much as the Bengalees regard the English—as persons who are less intelligent and less instructed than themselves, but who nevertheless are to be obeyed. They never think of changing places any more than a Hindoo thinks of becoming an Englishman. But in old times, men like Lord Liverpool, Sir George Rose, and Mr. Huskisson were found eminent in the public offices, and in consequence of that eminence, were brought into Parliament. The party in office were then, as now, anxious to obtain competent help in passing measures of finance and detail, and they then obtained it thus, whereas now their successors do not obtain it at all.

There was then, too, a sort of romantic element in the lives of clever young men which is wholly wanting now. Some one said that Macaulay's was like a life in a fairy tale;—he opens a letter which looks like any other letter, and finds that it contains a seat in Parliament. Gibbon says that just as he was destroying an army of barbarians, Sir Gilbert Elliot called and offered him a seat for Liskeard. Great historians will never probably again be similarly interrupted. The effect of all this was to raise the intellectual tone of Parliament. At present the political conversation of members of Parliament—a few of the greatest excepted—is less able and less striking than that of other persons of fair capacity. There is a certain kind of ideas which you hardly ever hear from any other educated person, but which they have to talk to their constituents, and which, if you will let them, they will talk to you too. Some of the middle-aged men of business, the "soap-boilers," as the London world disrespectfully calls them, whom local influence raises to Parliament, really do not seem to know any better; they repeat the words of the hustings as if they were parts of their creed. And as for the more intellectual members who know better, no one of good manners likes to press them too closely in argument in politics any more than he likes to press a clergyman too strictly on religion.

In both cases the status in the world depends on the belief in certain opinions, and therefore it is thought rather ill-bred, except for some great reason, to try to injure that belief. Intellectual deference used to be paid to members of Parliament, but now, at least in London, where the species is known, the remains of that deference are rare.

The other side of the same phenomenon is the increased power of the provinces, and especially of the constituencies. Any gust of popular excitement runs through them instantly, grows greater and greater as it goes, till it gains such huge influence that for a moment the central educated world is powerless. No doubt, if only time can be gained, the excitement passes away; something new succeeds, and the ordinary authority of trained and practised intelligence revives. But if an election were now to happen at an instant of popular fury, that fury would have little or nothing to withstand it. And, even in ordinary times, the power of the constituencies is too great. They are fast reducing the members, especially the weaker sort of them, to delegates. There is already, in many places, a committee which often telegraphs to London, hoping that their member will vote this way or that, and the member is unwilling not to do so, because at the next election, if offended, the committee may, perchance, turn the scale against him. And this dependence weakens the intellectual influence of Parliament, and of that higher kind of mind of which Parliament ought to be the organ.

We must remember that if now we feel these evils we must expect ere long to feel them much more. The Reform Act of 1867 followed in the main the precedent of 1832; and year by year we shall feel its consequences more and more. The two precedents which have been set will of necessity, in the English world, which is so much guided by precedent, determine the character of future Reform Acts. And if they do, the supremacy of the central group of trained and educated men which our old system of Parliamentary choice created, will be completely destroyed, for it is already half gone.

I know it is thought that we can revive this intellectual influence. Many thoughtful reformers believe that by means

of Mr. Hare's system of voting, by the cumulative suffrage, the limited suffrage, or by some others like them, we may be able to replace that which the legislation of 1832 began to destroy, and that which those who follow them are destroying. And I do not wish to say a word against this hope. On the contrary, I think that it is one of the most important duties of English politicians to frame these plans into the best form of which they are capable, and to try to obtain the assent of the country to them. But the difficulty is immense. The reformers of 1832 destroyed intellectual constituencies in great numbers without creating any new ones, and without saying, indeed without thinking, that it was desirable to create any. They thus by conspicuous action, which is the most influential mode of political instruction, taught mankind that an increase in the power of numbers was the change most to be desired in England. And of course the mass of mankind are only too ready to think so. They are always prone to believe their own knowledge to be "for all practical purposes" sufficient, and to wish to be emancipated from the authority of the higher culture. What we have now to do, therefore, is to induce this self-satisfied, stupid, inert mass of men to admit its own insufficiency, which is very hard; to understand fine schemes for supplying that insufficiency, which is harder; and to exert itself to get those ideas adopted, which is hardest of all. Such is the duty which the reformers of 1832 have cast upon us.

And this is what of necessity must happen if you set men like Lord Althorp to guide legislative changes in complex institutions. Being without culture, they do not know how these institutions grew; being without insight, they only see one half of their effect; being without foresight, they do not know what will happen if they are enlarged; being without originality, they cannot devise anything new to supply, if necessary, the place of what is old. Common-sense no doubt they have; but common-sense without instruction can no more wisely revise old institutions than it can write the Nautical Almanack. Probably they will do some present palpable good, but they will do so at a heavy cost; years after they have passed away, the bad effects of that which they did, and

of the precedents which they set, will be hard to bear and difficult to change. Such men are admirably suited to early and simple times. English history is full of them, and England has been made mainly by them; but they fail in later times, when the work of the past is accumulated, and no question is any longer simple. The simplicity of their one-ideaed minds, which is suited to the common arithmetic and vulgar fractions of early societies, is not suited, indeed rather unfits them, for the involved analysis and complex "problem papers" of later ages.

There is little that in a sketch like this need be said of Lord Althorp's life after the passing of the Reform Act. The other acts of Lord Grey's Ministry have nothing so memorable or so characteristic of Lord Althorp that anything need be said about them. Nor does any one in the least care now as to the once celebrated mistake of Mr. Littleton in dealing with O'Connell, or Lord Althorp's connection with it. Parliamentary history is only interesting when it is important constitutional history or when it illustrates something in the character of some interesting man. But the end of Lord Althorp's public life was very curious. In the November of 1834 his brother, Lord Spencer, died, and as he was then leader of the House of Commons, a successor for him had to be found. But William IV., whose liberal partialities had long since died away, began by objecting to every one proposed, and ended by turning out the Ministry—another event in his reign which our coming republicans will no doubt make the most of. But I have nothing to do with the King and the constitutional question now. My business is with Lord Althorp. He acted very characteristically—he said that a retirement from office was to him the "cessation of acute pain," and never afterwards would touch it again, though he lived for many years. Nor was this an idle affectation, far less indolence. "You must be aware," he said once before, in a letter to Lord Brougham, "that my being in office is nothing less than a source of misery to me. I am perfectly certain that no man ever disliked it to such a degree as I do; and, indeed, the first thing that usually comes into my head when I wake is how to get rid of it." He

retired into the country and occupied himself with the rural pursuits which he loved best, attended at quarter-sessions, and was active as a farmer. "Few persons," said an old shepherd, "could compete with my lord in a knowledge of sheep." He delighted to watch a whole flock pass, and seemed to know them as if he had lived with them. "Of all my former pursuits," he wrote, just after Lady Althorp's death, and in the midst of his grief, "the only one in which I now take any interest is breeding stock; it is the only one in which I can build castles in the air." And as soon as he could, among such castles in the air he lived and died. No doubt, too, much better for himself than for many of his friends, who long wanted to lure him back to politics. He was wise with the solid wisdom of agricultural England; popular and useful; sagacious in usual things; a model in common duties; well able to advise men in the daily difficulties which are the staple of human life. But beyond this he could not go. Having no call to decide on more intellectual questions, he was distressed and pained when he had to do so. He was a man so picturesquely out of place in a great scene, that if a great describer gets hold of him he may be long remembered; and it was the misfortune of his life that the simplicity of his purposes and the trustworthiness of his character raised him at a great conjuncture to a high place for which Nature had not meant him, and for which he felt that she had not meant him.

THE CHANCES FOR A LONG CONSERVATIVE REGIME IN ENGLAND.[1]

THE change of last February (1874) was one of the most sudden ever seen even in the shifting world of English politics. The catastrophe of the Gladstone Cabinet took every one by surprise. People hardly seemed to believe that it could be true, or that it could be permanent. The Conservatives could hardly help asking, "Are we really in, and really going to stay in?" or the Liberals murmuring, "Surely we are not out, and going to stay out". On many familiar faces there was a sudden disappointment, and on others an equally sudden hope. Even now, though months have passed, the world is not sure what the change means; and therefore it may not be amiss to examine it carefully. There are some questions more important than who are to be our rulers, but there are not many such questions.

Of course, what we want to know is, which party is likely for a certain time, say the next twenty years or so, to have the preponderance of power. There will always be many "ins-and-outs" in English politics. But experience shows that though these minor perturbations are determined by momentary events, there are secular causes which, in the long run, fix the predominance. For forty years before 1832 the Tories were in power with only one exception; during the forty years since, the Liberals have been in power with brief exceptions. These instances of continued power were too long and too remarkable

[1] This fragment was written in 1874 and found among Mr. Bagehot's papers after his death. It was published later by Mr. John Morley in the *Fortnightly Review*, and although there was a breakdown from 1880 to 1886, the long Conservative Government of Lord Salisbury and Mr. Balfour prove the accuracy of Mr. Bagehot's forecast.—E. BAGEHOT.

to be produced by mere luck. And the cause is not difficult to find. Each generation naturally prefers one party or the other. Events and circumstances stamp a similar character on most of the members of it. The terrors of the first French Revolution stamped on a whole generation of Englishmen a bigoted Conservatism. The same sanguine spirit which in France produced the Revolution of 1830, generated in a whole generation of Englishmen a spirit of hope and a desire for innovation. The result was a long Tory Government in the first case, and a long Liberal Government in the second. Minor changes were caused by passing accidents, but permanence in power coincided with the settled feeling of the age. If we would cast the horoscope of the future we must see what influences are now fixed in the ascendant and on which side they work.

In happy States, the Conservative party must rule upon the whole a much longer time than their adversaries. In well-framed polities, innovation—great innovation that is—can only be occasional. If you are always altering your house, it is a sign either that you have a bad house, or that you have an excessively restless disposition—there is something wrong somewhere. Just so a nation which is for ever having great eras, changing fundamental laws, founding new constitutions, is either very unfortunate in its old polity, or very fickle in its disposition—perhaps it may be both. In any case there is no hope for steady happiness in such a State. Happiness, as far as it is affected by politics, needs a good, or at any rate a suitable, inherited polity, and a tenacious resolution not to change that polity without reason shown. The most successful nations have erred on the other side, and have evinced a stupid inability to admit even the best reasons. Not to cite the Romans and other common book examples, let any one try at the present moment to persuade the Americans to alter any of the clauses in the "Washington Constitution," and then he will comprehend how hard it is to induce a practical people to change its fundamental political code; how keenly it values a "deed of settlement" of that kind; how much it feels that it gains by it; how unwilling it is to venture out into the unknown. Na-

tions eminent in practical politics have always possessed a singular constancy to old institutions, and have inherited institutions more or less deserving that constancy.

As I write for Englishmen, I need not draw out a formal proof that England is a country successful in politics. This is a fact which we are all of us ready to accept and assume. Nor need I prove that we have inherited a Constitution of some value. Almost all thinking Englishmen prize much of it highly; and unthinking Englishmen are apt to believe it the one good and adequate Constitution in the world—the sufficient cure, if they would only take it, for the evils of all other nations. And we have been constant to it for centuries; some parts of it may be traced back to the woods of Germany; others, though much newer, are still several hundred years old; the whole outward framework of it is ancient; the inner part, though gradually modified, has never been changed upon system. Few such things have ever lasted so long; few such have ever undergone so much needful change with so little solution of continuity. But there are prerequisites of our political success, and for that success itself we must pay a price, and a part of that price—to Moderate Liberals, like myself, a serious part—is a preponderance—perhaps a great preponderance on an average, and taking a long time—of Conservative rule over Liberal.

I say that this price is serious, because I am sure of its magnitude. The best Government for free States, both past history and present experience seem to me to prove, is a Government, as the French would say, of the Left Centre. The centre in their language is the representative of the great neutral mass, which is not violently in favour either of one side in politics or of the other; which inclines now more in one direction, and now more in the other; which is often nominally divided between Left and Right, between the movement and the non-movement parties, and which then forms a certain "common element," of which both parties partake, and the members of which are much more akin and much more like to the members of it in the other party, than they are to the extreme partisans in their own. The Left Centre is that side of this steadying and balancing element which inclines to progress,

which is alive to new ideas, which wants to introduce them not nearly so violently as the Extreme Left wishes, nor so soon as it wishes, but which tries to adjust them to existing things and older ideas, and which wants to bring them down to the real world as soon as the real world will bear them. In short, the Left Centre wants to introduce tested innovations when the average man begins to comprehend them, and not before; and to introduce them in the shape in which he comprehends them, and not in any other shape. If the predominant power is in the hands of men like this, they secure the State against the worst evils of Conservatism and the worst evils of innovation. They will not allow evils to stand so long unredressed, that at last it is of little use redressing them; they will not permit new men rashly, and on a sudden, to apply new ideas which match nothing in the present world, which join on to nothing, and which mar everything. The Left Centre will neither drive so slow as to miss the train, or so fast as to meet with an accident.

But though it is most desirable that the Left Centre should gain lasting power, it is also most improbable that they can, as a body, obtain power upon no "cry," and yet they have no cry. There is no scream in them. They have very sound words, very steady arguments, very judicious observations; but the multitude do not care for sound words, or steady arguments, or judicious observations; it wants something exciting, something stimulating, something with a note of exclamation. And the Left Centre are just the last people in the world to supply this, for their pleasure is to be calm, and their aim is to be accurate. You might as reasonably ask a Quaker for oaths as a member of the Left Centre or a Moderate Liberal—for it is all the same—for stimulating programmes and exciting plans.

"You must in politics," a distinguished statesman once said to me, "have not only a scheme before you, but a power behind you." And this is where the Left Centre and the Moderate Liberals fail. The great energies of the earth are not theirs. There are two principal powers in politics. One is the great wish of all ordinary decent people, poor and rich, to lead the life to which they have been used, and to think the thoughts to which they have been accustomed. In real life this ele-

mentary feeling does not, indeed, display itself simply; on the contrary, it hides itself in a prettier shape, it calls itself loyalty; it cries that it wants to preserve the Queen, or the Czar, or the Union. Nothing, indeed, is more absurd than this Conservative sentiment when it does not know what to cry out. Conservative Frenchmen are in this position at this moment; they are puzzled between the Septennate, the Republic, and the Empire; they would cry for any one of these, if they were sure of its efficacy; indeed they would cry for the Governor and Company of the Bank of England, if they were sure that the Governor and Company would do the work. But however we may smile at the feeling, its strength makes it of cardinal importance; in times of revolution it has volcanic power. The shopkeeper, ordinarily so quiet, will fight for his till, the merchant for his counting-house, the peasant proprietor for his patch of soil, with an almost rabid fury, such as no mere soldier will show for anything. In quiet times it is the most enormous of "potential energies"; a statesman who is supported by it may reasonably feel that he has a force in reserve, which, if he elicit it, will certainly produce a mighty effect, and perhaps annihilate his enemies and maintain his rule.

On the other hand, there is in States a mighty innovating —it would almost be clearer to say, revolutionary—impulse. It is not given to "one good custom to corrupt the world". Nature has an effectual machinery to prevent it. We imagine a fictitious entity called a nation; we habitually think and speak of it as if it always remained the same; but in truth, after a few years, it is no longer the same. The men who compose it are different. The generations change; the son is not like his father; the grandson is still less like his grandfather. They do not feel the same feelings, or think the same thoughts, or lead the same life. If a man of fifty will take any house which he has always known, and which has twice changed owners in course of nature, he will get a notion of the intensity of the change. "Nothing about the place," he will be almost inclined to say, "is the same now as it was when he was a boy,"—it is not so much a question of this or that particular thing, but the look is different, the spirit different, the *tout*

ensemble is different. In States it is the same. You can no more expect different generations to have exactly the same political opinions, to obey exactly the same laws, to love exactly the same institutions, than you can expect them to wear identical clothes, own identical furniture, or have identical manners. In both cases there will no doubt be much which is common to the two generations, but the similarity will be enhanced by contrast; the identity will be assured by differences. Unhappily, laws and institutions are not changed so easily as furniture and manners. The things of the individual can be changed by the individual, but the things of the community—at least in free States—can only be changed by the community; and communities are heavy to move. The necessary agents are many, and slow to gain. In consequence, all these States are liable to acute spasms of innovating energy. The force which ought to have acted daily and hourly has long been effectually resisted every day and every hour; at last it breaks forth with pent-up power; it frightens every one, and for the minute seems as if it might destroy anything. This catastrophic innovating rage is, for the instant of its action, the predominant force in politics, and a statesman who gains its support need look for no other and care for no other.

But the misfortune of the Left Centre—or Moderate Liberals—is that they cannot rely on gaining the support of either of these great powers. They are in sympathy neither with the intense Conservative force, nor with the intense innovating. They are "betwixt and between," and make distinctions which no one heeds; they live in a debatable land, which each party attacks and neither defends; they have the sympathy of neither party, but the enmity of both. In, perhaps, his best novel, Sir Walter Scott has sketched the fate of such men in troubled times. Henry Morton, the hero of *Old Mortality*, is a moderate Presbyterian, but the Conservative Government—the Episcopalian Government—want to kill him because he is a Presbyterian; and the Cameronians—the extreme Presbyterians, the working rebels—want to kill him because he is moderate. And so his aims are frustrated, his hopes annihilated, and he has to leave his country for a long exile. In

quiet times, moderate politicians have certainly not to fear either death or exile. But they have not only to fear, but to expect, that Conservatives like Mr. Disraeli—the head of one power—will sneer at them as "stray philosophers"; that Liberals like Mr. Bright—the head of the other power—will deny that they are "robust politicians". They will have the consolations of philosophy, and they have a confident perception of truth attained; but they must do without conspicuous power and the "worship of those with whom you sit at meat"; they must endure the tedium of inaction, and bear the constant sense of irritating helplessness. Though they are the best of rulers for the world, they are the last persons to be likely to rule.

The fate of the Left Centre—the Moderate Liberals—is the harder, because that of the Right Centre—the Moderate Conservatives—who differ from them so little, is so very much better. The world will accept from them that which it would never dream of accepting from their rivals. If the Moderate Conservatives choose to propose moderate Liberal measures, they are certain to pass them. The Liberals must support them on principle, and even the Extreme Conservatives rarely try to oppose them, and still more rarely do so effectually. The most extreme Conservative is usually aware that some change must be carried sometimes, and he is disposed to think that perhaps the changes that his own friends incline to may be those changes. At any rate, he does not see where he can get so little change. If he leave the alliance of the Moderate Conservative, he must either stand alone, which is impotence, or ally himself with Liberals, which is hateful. For one who wants to change nothing, to combine with those who want to change more, against those who wish to change less, is ridiculous. Accordingly the Moderate Conservatives have almost always a game at their disposal if they are wise enough to perceive it. All that they concede, the attacking force will accept, and whatever they choose to concede, the rest of the defending force must allow. In two ways the Conservatives in happy States are likely to have a preponderance of power: first, because that happiness is an indication that in the main the existing institutions are suitable, and that very

much organic change is not wanted; and secondly, because Conservatives, if they only knew it, have the greatest advantage in making the changes which have to be made.

This constant tendency to Conservative rule may be counteracted by many accidents for short periods, and by two lasting causes for long ones. The Liberal party may long be maintained in power, either when the country requires a kind of administration which is at variance with Conservative ideas, or an incessant course of legislation which is equally so. Recent English history has excellent examples of both. For many years after the accession of the House of Hanover the Liberal party was in power without a break. They came in with George the First, and reigned without a break till the accession of George the Third—that is, for forty-six years. The cause is obvious. During the greater part of that time the Tory party was incapable not only of effectual competition, but even of any approach to it. The strongest and most characteristic members were opposed to the reigning dynasty; in country parsonages and manor-houses Jacobitism was a creed slowly dying, though not dead.

If no more could be said, and if the subject stopped here, we should have proved that the prospects of Liberals, and especially of Moderate Liberals, were at all times most unhappy. But fortunately the causes we have described may be for long periods effectually counteracted in two ways. First, the Liberals may be persistently maintained in power because the nation persistently exacts a species of administration which is inconsistent with the Conservative ideas in that age, and from which Conservatives in that age are excluded. This was the case in England during two whole reigns. From the accession of George the First to the death of George the Second the Whig party was continuously in office. And it was so because the new dynasty had been placed on the throne by the exertions of the Whigs. The Extreme Tories, at the accession of George the First, were Jacobites; the Moderate Tories were lukewarm. The former would have opposed the Hanoverian dynasty; the latter would never have striven for it. For many years the sentiment of the Tory party—the sentiment of

country parsonages and rural manor-houses—was in favour of their exiled Sovereign; they were Legitimists, as we should now say, in feeling, if not in practice. The Whig party were in office because there was a pretender to the Crown, and because the reigning dynasty could only be maintained on the throne by the persons who had placed it there; all others would have been unsafe supporters at a time of real danger. The hold of the Whigs on office was the stronger because the dynasty which they supported embodied a principle, and the dynasty which they resisted denied that principle. In essence, the rule of the House of Hanover implied that the House of Commons should be the dominant power in the Constitution; the return of the Stuarts would have implied that it should be reduced to a subordinate power. The judgment and sense of the nation preferred to be governed by Parliament, though much of its fancy and feeling still remained on the other side. The Whigs, who founded the system of Parliamentary Government, were long the only party who could be trusted to work it, because they alone were at heart in favour of it. To entrust its working to avowed Tories, would have been to place it at the mercy, at the best, of latent critics; at the worst, of latent enemies. The Liberal party were at the beginning of the period the sole possible administrators, because they were the only reliable friends of the system to be administered; and they continued to administer it till the end of the period, though the Jacobitism of the Tories was steadily waning, because no evident proof of that waning had been publicly given, and because the long possession of power had created as usual a practised skill in using it, and a popular belief that in fact it must be theirs, and that of right it ought to be theirs.

It may at first sound absurd to ask whether there is at the present time any obstacle likely to disable the Conservatives from creating or maintaining a suitable administration; but it is not really absurd at all. It is true that there is no change of dynasty from which they can suffer, but there is a change of ideas which may be as perplexing. They have, as we have seen, been out of office upon the whole and with trivial exceptions for more than forty years. Those years have been

busy with changes—far more busy than the previous hundred. Our economic policy has been revolutionised, so has our colonial, so has our Irish. Our foreign policy has become altogether different. Our domestic policy is much changed on secular matters; in religion the way of regarding the Church and the way of regarding dissent are even more changed. These are the consequences of long Liberal rule, and the Conservatives must be content to accept them, and to act as if they were their own; to act as if the new policies were policies such as they would have shaped, and the new laws such as they would have chosen. It will not be enough that they do not attempt to repeal the new laws or to reverse the new maxims; they must apply those maxims to new cases and new circumstances; they must supplement those laws by incessant subordinate auxiliary legislation. If they wish to inherit the fruits of the last forty years, they must work in the spirit of the last forty years. And they will find this very difficult. In their hearts they will not like it; the best of their supporters will grumble at it. They must be prepared to hear from old friends, "We might just as well have the Liberals in, if this is to be their policy"; and from old members of Parliament, "I wish the Whigs were back again with all my heart, for then one could vote against their measures, and now one has to vote for them". If the Conservatives are to remain in power, they will be far from enjoying an exquisite life of unmixed happiness; they will have to renounce very much for which they have contended, to take to their hearts much against which they have contended.

Two accidents enhance the difficulty. There has not been for many years—I am not sure that there has ever been—so great a change in our administrators. A party which has been forty years out of office necessarily inherits many leaders who have been little in office, and who have passed their lives in opposition; who may have an inborn genius for official business, but who can have had little training; who are like old generals who have seen no war. But it rarely happens that a great party has only such leaders. Almost every party has some leaders who have come over from the opposite party,

and who, when that opposite party has been long in office, will bring with them official experience. Thus when the Whigs came into office in 1832, they had been for more than a generation out of office. Lord Grey and Lord Althorp—in name their two leaders—were almost wholly without official experience; but then there came in with them the Canningites, as they were called, who had much official experience. Lord Palmerston—the most vigorous of them—had almost no experience of anything else. He had been all but continuously in office for the previous twenty-five years—for the whole of his public life. And the records of that time show that this infusion of trained aptitude was a great help to the new Liberal Government. Lord Brougham especially dwells with emphasis on the vigour and promptitude which Lord Palmerston showed in Cabinet Councils, as compared with the "indecision and inefficiency" of the "unofficial Whigs". But the present Cabinet have no such aid. The Canningites were men of another world; there is no group of politicians now in the least like them, or comparable to them. All the present Conservatives are untrained as administrators, though their task peculiarly requires skilled and trained administrators, for they have to adapt themselves to a situation which they did not make, and to administer a policy which is not their own.

If the Conservatives were now led by a Premier with a pre-eminent faculty for administration, these obstacles might be surmounted without extreme difficulty. Much greater miracles have often been worked by an active and competent dominant mind. But Mr. Disraeli, so far from being a pre-eminent man of business, scarcely pretends to be a man of business at all. He had no training in it. His youth was passed in light literature. Till (in 1852) he was made Chancellor of the Exchequer and leader of the House of Commons, he had never filled any office whatever; probably had never transacted any business whatever. Nor has he done much since. When in office, he has, till now, been always leader of the House of Commons without a majority. His whole mind has been occupied in clever strategy; he has been trying to make five men do the work of six; he has been devising clever policies which

will divide his enemies, and little epigrams which will sting. Such work exactly suited the nature of his mind;—the movements of no leader were ever so delicate; the sarcasms of no speaker were ever more fine and well-placed. But in all other matters he was simply a tolerated deficiency. If you pointed out the monstrous inconsistency of his serious assertions, his friends said, "It is Dizzy, you know; that is his way". If you showed some astounding inaccuracy, they said, "Yes, Dizzy goes like that". If you asked as to any of the wonderful stories of his official negligence, they said, "Ah, Dizzy does not care for these things". But the world has gone on, and we have come to a time when his party may be ruined because Dizzy does not (probably can't) do these things.

The best description of the duties of a Prime Minister is that given by Sir Robert Peel. "You must presume that he reads every important despatch from every foreign court. He cannot consult with the Secretary of Foreign Affairs, and exercise the influence which he ought to have with respect to the conduct of foreign affairs, unless he be master of everything of real importance passing in that department. It is the same with respect to other departments: India for instance; how can the Prime Minister be able to judge of the course of policy with regard to India unless he be cognisant of all the current important correspondence? In the case of Ireland and the Home Department it is the same. Then the Prime Minister has the patronage of the Crown to exercise, which you say, and justly say, is of so much importance and of so much value; he has to make inquiries into the qualifications of the persons who are candidates; he has to conduct the whole of the communications with the Sovereign; he has to write, probably with his own hand, the letters in reply to all persons of station who address themselves to him; he has to receive deputations on public business; during the sitting of Parliament he is expected to attend six or seven hours a day, while Parliament is sitting, for four or five days in the week—at least he is blamed if he is absent." It is obvious that these duties cannot be performed at all except by a considerable man of business, and that they can only be tolerably performed by a consummate

one. Most of these duties are performed in private, and the public—if it ever comes to know whether they are well or ill performed—comes to know it only after a long time, and by some casual distant effect. But we do know that up to this time two of the most important are at present very badly performed. The conduct of the business of the House of Commons was last session (1874) so bad that, though it was the easiest year which has been known for years, and though members of Parliament had twice as much time on their hands as has been known for years, yet the most important business Bill of the Session—the Judicature Bill—which was all ready for passing, which might have been passed in a few hours, for which the whole legal profession was waiting, and by the delay of which they are vexed and hampered, was abandoned without an excuse. Again, the supervision of the Premier over the departments has this year (1874) been so ineffectual, that the Bill of the Government which awakened most interest and excited most discussion—the Endowed Schools Bill—was so drawn that the Premier said he could not understand it. He tried to throw the blame on the way in which bills for the Government are now drawn; but on this point the Lord Chancellor replied to him, and said that the bills of the Government were now extremely well drawn, and that he was ashamed of the remark of his colleague. The truth is, that Mr. Disraeli had no real knowledge of the subject, though it is one of such interest; that he had no accurate acquaintance with the Endowed Schools Act which he was going to amend; that, in consequence, he did not know how it was proposed to amend it; and that, as usual, he was but using neat words to cover confused ideas.

It is too late for Mr. Disraeli to change his habits. He was not trained as a man of business, he has never lived as one, and he cannot now become one. He is wholly unable to give to his Cabinet the administrative impulse and the administrative guidance which their want of experience makes so necessary, and which their peculiar task requires. "An oak," according to the saying, "should not be transplanted at fifty," and a novelist who is near to seventy—who hates detail, and

who knows no detail—cannot guide his younger colleagues in a new world of thorny business, much of which is alien to their prejudices, much of which was made by their adversaries, but to which they must shape their ways and adapt their policy. So long as Mr. Disraeli remains at the head of the Conservative Government, its career will be one of many stumbles, though its great majority may keep it from falling. It is, indeed, argued that Mr. Disraeli's supremacy is essential to the present Cabinet for another reason. It is said that if it were not for his influence this Cabinet would not try to adapt itself to the world which it inherits from the Liberals, but that more or less it would try to return to the past, and to re-make an unmade world. But as to this I have no authority to say anything, and little inclination. As a general rule, nothing can be less worth attention than rumours as to the divisions in Cabinets. Every one knows how they are generated in the smoking-rooms of clubs and of the House of Commons. Of course all Cabinets are divided. Fifteen clever men never agree about anything; but how they are divided it is rarely possible to know, and then only under a pledge of secrecy. The few who know such things are slow to divulge them; and as to this particular rumour, I can only say that, if it be true, it does not make the defects of Mr. Disraeli smaller, but shows that the Government has another great defect besides those which he causes. It does not make him a better man of business that he has to resist a reactionary party; on the contrary, it will make him a worse, for he will have less mind and less energy to devote to business. This division within the Cabinet will be another cause of stumbles. It will not diminish the effect of the other cause, but heighten it; for the scandal of twenty blunders is much greater than twenty times the scandal of one. Nothing can be more probable than the existence of such a reactionary party in the Cabinet. It is almost inevitable that some of its members should dislike to accept Liberal measures, and, where a link is missing, to complete Liberal measures. But, if they mean to stay in office, they must do so. The country is as firmly attached now to the Liberal laws of the last forty years, as it

was a century ago attached to the principles of the Revolution. It will no more permit their curtailment now, than it would permit the deposition of the House of Hanover then. The Conservatives will not be able to maintain themselves in office unless they can find a Cabinet able to transact the business of the country, and willing to accept the principles of the country. The natural inclination to a Conservative Government of such a country as this, in such an age as this, will be suspended at least till then.

Whether that tendency can be longer counteracted depends on our second cause. As we have seen, the instinctive inclination of comfortable Englishmen to a Conservative Government may not only be counteracted, it may be replaced by a steady and intense desire for a Liberal Government, if there is an immense demand for new laws. That demand Conservatives cannot supply if they would, for they cannot be enough in sympathy with the love of novelty to know what is wanted; and they would not supply it if they could, because they think that what is coincides, in its main scheme, with what ought to be. They may be ready to change the detail of many things, and even the spirit of a few things, but they are not ready to change the life of much—the essence of the whole. As we all know, such has been the case for the forty years last past. The Liberals have had a monopoly of power because they had an incessant supply of new laws, which they were ready to propose, which the Tories were not ready to propose, and which the nation wanted. And now the main question comes, Is this supply exhausted or is it not? Have the Liberals any new great measures which they will pass, which the Conservatives will not pass, which the nation will keep them in power in order to pass?

Such measures must fulfil three conditions: first, they must be such as will interest mankind; secondly, they must be such as to secure the support of men of sense; thirdly, they must be such as the Conservatives will not propose. The second condition is as important as either. Though in form the political constitution of this country approaches much more nearly than it did to a democracy, as yet it makes almost

no approach to a democracy in spirit. The influence of education, wealth and rank are still enormous; it is at present of no use to propose taking measures which the mass of people might like, if sensible people see that the people ought not to like them, for they will really have more bad effects than good ones.

In searching for such subjects, I think that we may omit altogether the economic and commercial subjects which have filled so much space in the public mind of late years. There is little more to do in them—at least, little in comparison with the much which has been done;—whether the income-tax shall be repealed or abolished, whether the tea duties shall be remitted or retained, are questions of much fiscal, and perhaps more social, importance. But the Conservative way of dealing with them is not likely to be very different from the Liberal way. The sensible men of both parties would, I believe, be glad to retain the income-tax, though they cannot emphatically say so, because it might not be popular at an election. Sensible men would be glad, too, I think, though they are not so unanimous about it, to keep a larger yearly surplus than we have been used to keep, and to apply that surplus to redeeming debt. But the sensible men of one party are about as much in favour of these plans as the sensible men of the other. Neither has a monopoly of them, nor, if either had, would they be of use for party purposes. They do not interest the many enough to gain the votes of the many. In the main, what one party would do on these questions the other would do also. There is no *advertising* measure which the Liberals can get hold of, and the Tories cannot.

It may be contended, indeed, that the old conflict which Mr. Cobden was so fond of may be revived—that the new Government may spend more money than the late Government, and a reduction of expenditure may be used as a good cry against them. And we cannot, of course, discuss this till we know what this Government spends, and still more how it spends it. But we do not believe that the cry will again be so efficient as it has been, except there be gross mismanagement or corruption. No doubt, with a certain lower class,

such a cry will always be popular. If you address a large meeting of poor people, and tell them that it is reckless waste to spend ten millions on our navy, and that all which is wanted may be obtained much cheaper, of course they will cheer you, and agree with you. Ten millions is too great a sum for their imaginations to carry; they think it would buy up the whole universe. If you told them that it was too much to spend altogether, they would quite agree with you; they cannot imagine so much really being required for anything or everything. But among thinking men, used to figures, the cry for a reduced expenditure rather excites suspicion than wins support. They cannot but see that the expenditure of the country can hardly fail to increase as the population and the wealth of the country increase, and that as a rule it ought so to increase. When the work of Government augments, the cost of Government must be expected to augment also; if it does not so, either too much was spent before, or enough is not being spent now. In public affairs, as in private, it is quite possible that there should be an excessive economy. The old miser in Pope, who let his tenants die—"he could not build a wall"—has an obvious analogy in every sort of business. A growing community must, in nine cases out of ten, require a growing expenditure. And this country is more likely to require it, because our society is augmenting not only in size but in complexity. Even now it probably contains the finest mass of interweaved relations which have ever existed in the world, and every day adds both to their number and to their involution. Such a nation takes more mind to govern it than a simple nation, and in "meal or in malt" mind must be paid for. Even the data to which that mind is to be applied are increasingly costly, and must be bought at an increasing price. Science is wanted to bring those data together, and on science much more must be spent for many years, than we have been in the habit of spending.

The country is quite willing to spend it and quite able. The Englishman individually is the most expensive animal on the face of the earth; and though he has learnt to babble a cant as to liking a cheap Government—it is a cant merely.

I have heard a most experienced person say, "If you want a cheer in the House of Commons, make a speech on general economy; if you want to be beaten in a vote, propose a particular saving". And this happens because in this matter, as in so many others, the practical instinct which guides Englishmen in the detail of life is far wiser than the general maxims which they have acquired, and in which they fancy they believe. When they see the question, as Lord Eldon used to say, "clothed in circumstances," they detest the idea of a mean Government, and are quite ready to pay the cost of a dignified one. They are also quite able. There are of course countries in which the first duty of Government is to save every sixpence which can be saved. If at this moment the Government of Marshal MacMahon should spend any important sum which could be avoided, it would deserve the greatest censure. The people of France are so heavily taxed, and the inevitable taxes so much cripple trade, that any additional burden becomes a grave evil. But England is not in that position. No class here is oppressed by our taxes, and many classes could well bear to pay more than they do. The difference in cost between a mean Government and a dignified Government, between a stingy Government and a liberal Government, is one which the English nation is well able to pay, and one which rightly guided it would be eager to pay.[1]

[1] [This essay was never concluded. Mr. Bagehot proposed to discuss in it whether either a new Parliamentary Reform, a great Church Reform, or a great Land Reform would have enough hold on the people to keep the Liberal party in power, solely with a view to carry any one of these measures. But his judgment was clearly unfavourable to the popularity of any of these with men of sense, and his conclusion evidently was that unless the Conservative party should lose office by their inaptitude for administrative duties, a long reign of Conservatives was to be expected.—EDITOR of the *Fortnightly Review*.]

ECONOMIC STUDIES.

THE POSTULATES OF ENGLISH POLITICAL ECONOMY.

ADAM SMITH completed the *Wealth of Nations* in 1776, and our English Political Economy is therefore just a hundred years old. In that time it has had a wonderful effect. The life of almost every one in England—perhaps of every one—is different and better in consequence of it. The whole commercial policy of the country is not so much founded on it as instinct with it. Ideas which are paradoxes everywhere else in the world are accepted axioms here as results of it. No other form of political philosophy has ever had one thousandth part of the influence on us; its teachings have settled down into the common sense of the nation, and have become irreversible.

We are too familiar with the good we have thus acquired to appreciate it properly. To do so we should see what our ancestors were taught. The best book on Political Economy published in England before that of Adam Smith is Sir James Steuart's *Inquiry*, a book full of acuteness, and written by a man of travel and cultivation. And its teaching is of this sort: "In all trade two things are to be considered in the commodity sold. The first is the matter; the second is the labour employed to render this matter useful. The matter exported from a country is what the country loses; the price of the labour exported is what it gains. If the value of the matter imported be greater than the value of what is exported the country gains. If a greater value of labour be imported than exported the country loses. Why? Because in the first case strangers must have paid *in matter* the surplus of labour exported; and in the second place because the country must have paid to strangers *in matter* the surplus of labour im-

ported. It is, therefore, a general maxim to discourage the importation of work, and to encourage the exportation of it." [1]

It was in a world where *this* was believed that our present Political Economy began.

Abroad the influence of our English system has of course not been nearly so great as in England itself. But even there it has had an enormous effect. All the highest financial and commercial legislation of the Continent has been founded upon it. As curious a testimony perhaps as any to its power is to be found in the memoir of Mollien—the financial adviser of the first Napoleon, *le bon Mollien*, whom nothing would induce him to discard because his administration brought *francs*, whereas that of his more showy competitors might after all end in *ideas*. "It was then," says Mollien, in giving an account of his youth, "that I read an English book of which the disciples whom M. Turgot had left spake with the greatest praise—the work of Adam Smith. I had especially remarked how warmly the venerable and judicious Malesherbes used to speak of it—this book so deprecated by all the men of the old routine who spoke of themselves so improperly as of the school of Colbert. They seemed to have persuaded themselves that the most important thing for our nation was that not one *sou* should ever leave France; that so long as this was so, the kind and the amount of taxation, the rate of wages, the greater or less perfection of industrial arts, were things of complete indifference, provided always that one Frenchman gained what another Frenchman lost."

And he describes how the *Wealth of Nations* led him to abandon those absurdities and to substitute the views with which we are now so familiar, but on which the "good Mollien" dwells as on new paradoxes. In cases like this, one instance is worth a hundred arguments. We see in a moment the sort of effect that our English Political Economy has had when we find it guiding the finance of Napoleon, who hated ideologues, and who did not love the English.

But notwithstanding these triumphs, the position of our Political Economy is not altogether satisfactory. It lies rather

[1] Book ii., chap. xxiv.

dead in the public mind. Not only does it not excite the same interest as formerly, but there is not exactly the same confidence in it. Younger men either do not study it, or do not feel that it comes home to them, and that it matches with their most living ideas. New sciences have come up in the last few years with new modes of investigation, and they want to know what is the relation of economic science, as their fathers held it, to these new thoughts and these new instruments. They ask, often hardly knowing it, Will this "science," as it claims to be, harmonise with what we now know to be sciences, or bear to be tried as we now try sciences? And they are not sure of the answer.

Abroad, as is natural, the revolt is more avowed. Indeed, though the Political Economy of Adam Smith penetrated deep into the Continent, what has been added in England since has never penetrated equally; though if our "science" is true, the newer work required a greater intellectual effort, and is far more complete as a scientific achievement than anything which Adam Smith did himself. Political Economy, as it was taught by Ricardo, has had in this respect much the same fate as another branch of English thought of the same age, with which it has many analogies—jurisprudence as it was taught by Austin and Bentham; it has remained insular. I do not mean that it was not often read and understood; of course it was so, though it was often misread and misunderstood. But it never at all reigned abroad as it reigns here; never was really fully accepted in other countries as it was here where it arose. And no theory, economic or political, can now be both insular and secure; foreign thoughts come soon and trouble us; there will always be doubt here as to what is only believed here.

There are, no doubt, obvious reasons why English Political Economy should be thus unpopular out of England. It is known everywhere as the theory "of Free Trade," and out of England Free Trade is almost everywhere unpopular. Experience shows that no belief is so difficult to create, and no one so easy to disturb. The Protectionist creed rises like a weed in every soil. "Why," M. Thiers was asked, "do you give these bounties to the French sugar refiners?" "I wish," replied he,

"the tall chimneys to smoke." Every nation wishes prosperity for some conspicuous industry. At what cost to the consumer, by what hardship to less conspicuous industries, that prosperity is obtained, it does not care. Indeed, it hardly knows, it will never read, it will never apprehend the refined reasons which prove those evils and show how great they are; the visible picture of the smoking chimneys absorbs the whole mind. And, in many cases, the eagerness of England in the Free Trade cause only does that cause harm. Foreigners say: "Your English traders are strong and rich; of course you wish to under-sell our traders, who are weak and poor. You have invented this Political Economy to enrich yourselves and ruin us; we will see that you shall not do so."

And that English Political Economy is more opposed to the action of Government in all ways than most such theories, brings it no accession of popularity. All Governments like to interfere; it elevates their position to make out that they can cure the evils of mankind. And all zealots wish they should interfere, for such zealots think they can and may convert the rulers and manipulate the State control: it is a distinct object to convert a definite man, and if he will not be convinced there is always a hope of his successor. But most zealots dislike to appeal to the mass of mankind; they know instinctively that it will be too opaque and impenetrable for them.

Still I do not believe that these are the only reasons why our English Political Economy is not estimated at its value abroad. I believe that this arises from its special characteristic, from that which constitutes its peculiar value, and, paradoxical as it may seem, I also believe that this same characteristic is likewise the reason why it is often not thoroughly understood in England itself. The science of Political Economy as we have it in England may be defined as the science of business, such as business is in large productive and trading communities. It is an analysis of that world so familiar to many Englishmen —the "great commerce" by which England has become rich. It assumes the principal facts which make that commerce possible, and as is the way of an abstract science it isolates and simplifies them; it detaches them from the confusion with

which they are mixed in fact. And it deals too with the men who carry on that commerce, and who make it possible. It assumes a sort of human nature such as we see everywhere around us, and again it simplifies that human nature; it looks at one part of it only. Dealing with matters of "business," it assumes that man is actuated only by motives of business. It assumes that every man who makes anything, makes it for money, that he always makes that which brings him in most at least cost, and that he will make it in the way that will produce most and spend least; it assumes that every man who buys, buys with his whole heart, and that he who sells, sells with his whole heart, each wanting to gain all possible advantage. Of course we know that this is not so, that men are not like this; but we assume it for simplicity's sake, as an hypothesis. And thi deceives many excellent people, for from deficient education they have very indistinct ideas what an abstract science is.

More competent persons, indeed, have understood that English Political Economists are not speaking of real men, but of imaginary ones; not of men as we see them, but of men as it is convenient to us to suppose they are. But even they often do not understand that the world which our Political Economists treat of, is a very limited and peculiar world also. They often imagine that what they read is applicable to all states of society, and to all equally, whereas it is only true of—and only proved as to—states of society in which commerce has largely developed, and where it has taken the form of development, or something near the form, which it has taken in England.

This explains why abroad the science has not been well understood. Commerce, as we have it in England, is not so full-grown anywhere else as it is here—at any rate, is not so outside the lands populated by the Anglo-Saxon race. Here it is not only a thing definite and observable, but about the most definite thing we have, the thing which it is most difficult to help seeing. But on the Continent, though there is much that is like it, and though that much is daily growing more, there is nowhere the same pervading entity—the same patent, pressing, and unmistakable object.

And this brings out too the inherent difficulty of the subject —a difficulty which no other science, I think, presents in equal magnitude. Years ago I heard Mr. Cobden say at a league meeting that "Political Economy was the highest study of the human mind, for that the physical sciences required by no means so hard an effort". An orator cannot be expected to be exactly precise, and of course Political Economy is in no sense the highest study of the mind—there are others which are much higher, for they are concerned with things much nobler than wealth or money; nor is it true that the effort of mind which Political Economy requires is nearly as great as that required for the abstruser theories of physical science, for the theory of gravitation, or the theory of natural selection; but, nevertheless, what Mr. Cobden meant had—as was usual with his first-hand mind—a great fund of truth. He meant that Political Economy —effectual Political Economy, Political Economy which in complex problems succeeds—is a very difficult thing; something altogether more abstruse and difficult, as well as more conclusive, than that which many of those who rush in upon it have a notion of. It is an abstract science which labours under a special hardship. Those who are conversant with its abstractions are usually without a true contact with its facts; those who are in contact with its facts have usually little sympathy with and little cognisance of its abstractions. Literary men who write about it are constantly using what a great teacher calls "unreal words"—that is, they are using expressions with which they have no complete vivid picture to correspond. They are like physiologists who have never dissected; like astronomers who have never seen the stars; and, in consequence, just when they seem to be reasoning at their best, their knowledge of the facts falls short. Their primitive picture fails them, and their deduction altogether misses the mark—sometimes, indeed, goes astray so far that those who live and move among the facts boldly say that they cannot comprehend "how any one can talk such nonsense". Yet, on the other hand, these people who live and move among the facts often, or mostly, cannot of themselves put together any precise reasonings about them. Men of business have a solid judgment—a wonderful guessing

power of what is going to happen—each in his own trade; but they have never practised themselves in reasoning out their judgments and in supporting their guesses by argument: probably if they did so some of the finer and correcter parts of their anticipations would vanish. They are like the sensible lady to whom Coleridge said: "Madam, I accept your conclusion, but you must let me find the logic for it". Men of business can no more put into words much of what guides their life than they could tell another person how to speak their language. And so the "theory of business" leads a life of obstruction, because theorists do not see the business, and the men of business will not reason out the theories. Far from wondering that such a science is not completely perfect, we should rather wonder that it exists at all.

Something has been done to lessen the difficulty by statistics. These give tables of facts which help theoretical writers and keep them straight, but the cure is not complete. Writers without experience of trade are always fancying that these tables mean something more than, or something different from, that which they really mean. A table of prices, for example, seems an easy and simple thing to understand, and a whole literature of statistics assumes that simplicity; but in fact there are many difficulties. At the outset there is a difference between the men of theory and the men of practice. Theorists take a table of prices as facts settled by unalterable laws; a stockbroker will tell you such prices can be "made". In actual business such is his constant expression. If you ask him what is the price of such a stock, he will say, if it be a stock at all out of the common: "I do not know, sir: I will go on to the market and get them to *make* me a price". And the following passage from the Report of the late Foreign Loans Committee shows what sort of process "making" a price sometimes is: "Immediately," they say, "after the publication of the prospectus"—the case is that of the Honduras Loan—"and before any allotment was made, M. Lefevre authorised extensive purchases and sales of loans on his behalf; brokers were employed by him to deal in the manner best calculated to maintain the price of the stock; the

brokers so employed instructed jobbers to purchase the stock when the market required to be strengthened, and to sell it if the market was sufficiently firm. In consequence of the market thus created dealings were carried on to a very large amount. Fifty or a hundred men were in the market dealing with each other and the brokers all round. One jobber had sold the loan (£2,500,000) once over."

Much money was thus abstracted from credulous rural investors; and I regret to say that book statists are often equally, though less hurtfully, deceived. They make tables in which artificial prices run side by side with natural ones; in which the price of an article like Honduras script, which can be indefinitely manipulated, is treated just like the price of consols, which can scarcely be manipulated at all. In most cases it never occurs to the maker of the table that there could be such a thing as an artificial—a *malâ fide*—price at all. He imagines all prices to be equally straightforward. Perhaps, however, this may be said to be an unfair sample of price difficulties, because it is drawn from the Stock Exchange, the most complex market for prices; and no doubt the Stock Exchange has its peculiar difficulties, of which I certainly shall not speak lightly; but on the other hand, in one cardinal respect, it is the simplest of markets. There is no question in it of the physical quality of commodities: one Turkish bond of 1858 is as good or bad as another; one ordinary share in a railway exactly the same as any other ordinary share; but in other markets each sample differs in quality, and it is a learning in each market to judge of qualities, so many are they, and so fine their gradations. Yet mere tables do not tell this, and cannot tell it. Accordingly in a hundred cases you may see "prices" compared as if they were prices of the same thing, when, in fact, they are prices of different things. The *Gazette* average of corn is thus compared incessantly, yet it is hardly the price of the same exact quality of corn in any two years. It is an average of all the prices in all the sales in all the markets. But this year the kind of corn mostly sold may be very superior, and last year very inferior—yet the tables compare the two without noticing the difficulty. And when the

range of prices runs over many years, the figures are even more treacherous, for the names remain, while the quality, the thing signified, is changed. And of this persons not engaged in business have no warning. Statistical tables, even those which are most elaborate and careful, are not substitutes for an actual cognisance of the facts: they do not, as a rule, convey a just idea of the movements of a trade to persons not *in* the trade.

It will be asked, why do you frame such a science if from its nature it is so difficult to frame it? The answer is that it is necessary to frame it, or we must go without important knowledge. The facts of commerce, especially of the great commerce, are very complex. Some of the most important are not on the surface; some of those most likely to confuse *are* on the surface. If you attempt to solve such problems without some apparatus of method, you are as sure to fail as if you try to take a modern military fortress—a Metz or a Belfort—by common assault; you must have guns to attack the one, and method to attack the other.

The way to be sure of this is to take a few new problems, such as are for ever presented by investigation and life, and to see what by mere common sense we can make of them. For example, it is said that the general productiveness of the earth is less or more in certain regular cycles, corresponding with perceived changes in the state of the sun,—what would be the effect of this cyclical variation in the efficiency of industry upon commerce? Some hold, and as I think hold justly, that, extraordinary as it may seem, these regular changes in the sun have much to do with the regular recurrence of difficult times in the money market. What common sense would be able to answer these questions? Yet we may be sure that if there be a periodical series of changes in the yielding power of this planet, that series will have many consequences on the industry of men, whether those which have been suggested or others.

Or to take an easier case, who can tell without instruction what is likely to be the effect of the new loans of England to foreign nations? We press upon half-finished and half-

civilised communities incalculable sums; we are to them what the London money-dealers are to students at Oxford and Cambridge. We enable these communities to read in every newspaper that they can have ready money, almost of any amount, on "personal security". No incipient and no arrested civilisations ever had this facility before. What will be the effect on such civilisations now, no untutored mind can say.

Or again: since the Franco-German War an immense sum of new money has come to England; England has become the settling-place of international bargains much more than it was before; but whose mind could divine the effect of such a change as this, except it had a professed science to help it?

There are indeed two suggested modes of investigation, besides our English Political Economy, and competing with it. One is the Enumerative, or if I may coin such a word, the "all-case method". One school of theorists say, or assume oftener than they say, that you should have a "complete experience"; that you should accumulate all the facts of these subjects before you begin to reason. A very able German writer has said, in the *Fortnightly Review*,[1] of a great economic topic, banking: "I venture to suggest that there is but one way of arriving at such knowledge and truth—" that is, absolute truth and full knowledge—" namely, a thorough investigation of the facts of the case. By the facts, I mean not merely such facts as present themselves to so-called practical men in the common routine of business, but the facts which a complete historical and statistical inquiry would develop. When such a work shall have been accomplished, German economists may boast of having restored the principles of banking, that is to say, of German banking, but not even then of banking in general. To set forth principles of banking in general, it will be necessary to master in the same way the facts of English, Scotch, French, and American banking—in short, of every country where banking exists." "The only," he afterwards continues, "but let us add also, the safe ground of hope for Political Economy is, following Bacon's exhortation to recom-

[1] Gustav Cohn, in the *Fortnightly Review* for September, 1873.

mence afresh the whole work of economic inquiry. In what condition would chemistry, physics, geology, zoology, be, and the other branches of natural science which have yielded such prodigious results, if their students had been linked to their chains of deduction from the assumptions and speculations of the last century?"

But the reply is that the method which Mr. Cohn suggests was tried in physical science and failed. And it is very remarkable that he should not have remembered it as he speaks of Lord Bacon, for the method which he suggests is exactly that which Lord Bacon himself followed, and owing to the mistaken nature of which he discovered nothing. The investigation into the nature of heat in the *Novum Organum* is exactly such a collection of facts as Mr. Cohn suggests,—but nothing comes of it. As Mr. Jevons well says: "Lord Bacon's notion of scientific method was that of a kind of scientific book-keeping. Facts were to be indiscriminately gathered from every source, and posted in a kind of ledger from which would emerge in time a clear balance of truth. It is difficult to imagine a less likely way of arriving at discoveries." And yet it is precisely that from which, mentioning Bacon's name, but not forewarned by his experience, Mr. Cohn hopes to make them.

The real plan that has answered in physical science is much simpler. The discovery of a law of nature is very like the discovery of a murder. In the one case you arrest a suspected person, and in the other you isolate a suspected cause. When Newton, by the fall of the apple, or something else, was led to think that the attraction of gravitation would account for the planetary motions, he took that cause by itself, traced out its effects by abstract mathematics, and, so to say, found it "guilty,"—he discovered that it would produce the phenomenon under investigation. In the same way geology has been revolutionised in our own time by Sir Charles Lyell. He for the first time considered the effects of one particular set of causes by themselves. He showed how large a body of facts could be explained on the hypothesis "that the forces now operating upon and beneath the earth's surface are the same both in kind and degree as those which, at remote epochs,

have worked out geological changes". He did not wait to begin his inquiry till his data about all kinds of strata, or even about any particular kind, were complete; he took palpable causes as he knew them, and showed how many facts they would explain; he spent a long and most important life in fitting new facts into an abstract and youthful speculation. Just so in an instance which has made a literature and gone the round of the world. Mr. Darwin, who is a disciple of Lyell, has shown how one *vera causa*, "natural selection," would account for an immense number of the facts of nature; for how many, no doubt, is controverted, but, as is admitted, for a very large number. And this he showed by very difficult pieces of reasoning which very few persons would have thought of, and which most people found at first not at all easy to comprehend. The process by which physical science has become what it is, has not been that of discarding abstract speculations, but of working out abstract speculations. The most important known laws of nature—the laws of motion—the basis of the figures in the *Nautical Almanack* by which every ship sails—are difficult and abstract enough, as most of us found to our cost in our youth.

There is no doubt a strong tendency to revolt against abstract reasoning. Human nature has a strong "factish" element in it. The reasonings of the *Principia* are now accepted. But in the beginning they were "mere crotchets of Mr. Newton's"; Flamstead, the greatest astronomical discoverer of his day—the man of facts, *par excellence*—so called them; they have irresistibly conquered; but at first even those most conversant with the matter did not believe them. I do not claim for the conclusions of English Political Economy the same certainty as for the "laws of motion". But I say that the method by which they have been obtained is the same, and that the difference in the success of the two investigations largely comes from this—that the laws of wealth are the laws of a most complex phenomenon which you can but passively observe, and on which you cannot try experiments for science' sake, and that the laws of motion relate to a matter on which you can experiment, and which is comparatively simple in itself.

And to carry the war into the enemy's country, I say also that the method proposed by Mr. Cohn, the "all-case" method, is impossible. When I read the words "all the facts of English banking," I cannot but ask, of what facts is Mr. Cohn thinking? Banking in England goes on growing, multiplying, and changing, as the English people itself goes on growing, multiplying and changing. The facts of it are one thing to-day and another to-morrow; nor at one moment does any one know them completely. Those who best know many of them will not tell them or hint at them; gradually and in the course of years they separately come to light, and by the time they do so, for the most part, another crop of unknown ones has accumulated. If we wait to reason till the "facts" are complete, we shall wait till the human race has expired. I consider that Mr. Cohn, and those who think with him, are too "bookish" in this matter. They mean by having all the "facts" before them having all the printed facts, all the statistical tables. But what has been said of Nature is true of commerce. "Nature," says Sir Charles Lyell, "has made it no part of her concern to provide a record of her operations for the use of men"; nor does trade either—only the smallest of fractions of actual transactions is set down, so that investigation can use it. Literature has been called the "fragment of fragments," and in the same way statistics are the "scrap of scraps". In real life scarcely any one knows more than a small part of what his neighbour is doing, and he scarcely makes public any of that little, or of what he does himself. A complete record of commercial facts, or even of one kind of such facts, is the completest of dreams. You might as well hope for an entire record of human conversation.

There is also a second antagonistic method to that of English Political Economy, which, by contrast, I will call the "single case" method. It is said that you should analyse each group of facts separately—that you should take the panic of 1866 separately, and explain it; or, at any rate, the whole history of Lombard Street separately, and explain it. And this is very good and very important; but it is no substitute for a preliminary theory. You might as well try to substitute a

corollary for the proposition on which it depends. The history of a panic is the history of a confused conflict of many causes; and unless you know what sort of effect each cause is likely to produce, you cannot explain any part of what happens. It is trying to explain the bursting of a boiler without knowing the theory of steam. Any history of similar phenomena like those of Lombard Street could not be usefully told, unless there was a considerable accumulation of applicable doctrine before existing. You might as well try to write the "life" of a ship, making as you went along the theory of naval construction. Clumsy dissertations would run all over the narrative; and the result would be a perfect puzzle.

I have been careful not to use in this discussion of methods the phrase which is oftenest used, *viz.*, the Historical method, because there is an excessive ambiguity in it. Sometimes it seems what I have called the Enumerative, or "all-case" method; sometimes the "single-case" method; a most confusing double meaning, for by the mixture of the two, the mind is prevented from seeing the defects of either. And sometimes it has other meanings, with which, as I shall show, I have no quarrel, but rather much sympathy. Rightly conceived the Historical method is no rival to the abstract method rightly conceived. But I shall be able to explain this better and less tediously at the end of these papers than I can at the beginning.

This conclusion is confirmed by a curious circumstance. At the very moment that our Political Economy is objected to in some quarters as too abstract, in others an attempt is made to substitute for it one which is more abstract still. Mr. Stanley Jevons, and M. Walras of Lausanne, without communication and almost simultaneously, have worked out a "mathematical" theory of Political Economy;—and any one who thinks what is ordinarily taught in England objectionable, because it is too little concrete in its method, and looks too unlike life and business, had better try the new doctrine, which he will find to be much worse on these points than the old.

But I shall be asked, Do you then say that English Political Economy is perfect?—surely it is contrary to reason that so

much difficulty should be felt in accepting a real science properly treated? At the first beginning no doubt there are difficulties in gaining a hearing for all sciences, but English Political Economy has long passed out of its first beginning? Surely, if there were not some intrinsic defect, it would have been firmly and coherently established, just as others are?

In this reasoning there is evident plausibility, and I answer that, in my judgment, there are three defects in the mode in which Political Economy has been treated in England, which have prevented people from seeing what it really is, and from prizing it at its proper value.

First,—It has often been put forward, not as a theory of the principal causes affecting wealth in *certain* societies, but as a theory of the principal, sometimes even of all, the causes affecting wealth in *every* society. And this has occasioned many and strong doubts about it. Travellers fresh from the sight, and historians fresh from the study, of peculiar and various states of society, look with dislike and disbelief on a single set of abstract propositions which claim, as they think, to be applicable to all such societies, and to explain a most important part of most of them. I cannot here pause to say how far particular English Economists have justified this accusation; I only say that, taking the whole body of them there is much ground for it, and that in almost every one of them there is some ground. No doubt almost every one—every one of importance—has admitted that there is a "friction" in society which counteracts the effect of the causes treated of. But in general they leave their readers with the idea that, after all, this friction is but subordinate; that probably in the course of years it may be neglected; and, at any rate, that the causes assigned in the science of Political Economy, as they treat it, are the main and principal ones. Now I hold that these causes are only the main ones in a single kind of society—a society of grown-up competitive commerce, such as we have in England; that it is only in such societies that the other and counteracting forces can be set together under the minor head of "friction"; but that in other societies these other causes—in some cases one, and in some another—are the most effective ones, and that the greatest

confusion arises if you try to fit on *un*-economic societies the theories only true of, and only proved as to, economic ones. In my judgment, we need—not that the authority of our Political Economy should be impugned, but that it should be *minimised;* that we should realise distinctly where it is established, and where not; that its sovereignty should be upheld, but its frontiers marked. And until this is done, I am sure that there will remain the same doubt and hesitation in many minds about the science that there is now.

Secondly,—I think in consequence of this defect of conception Economists have been far more abstract, and in consequence much more dry, than they need have been. If they had distinctly set before themselves that they were dealing only with the causes of wealth in a single set of societies, they might have effectively pointed their doctrines with facts from those societies. But, so long as the vision of universal theory vaguely floated before them, they shrank from particular illustrations. Real societies are plainly so many and so unlike, that an instance from one kind does not show that the same thing exists in other societies;—it rather raises in the mind a presumption that it does not exist there; and therefore speculators aiming at an all-embracing doctrine refrain from telling cases, because those cases are apt to work in unexpected ways, and to raise up the image not only of the societies in which the tenet illustrated is true, but also of the opposite group in which it is false.

Thirdly,—It is also in consequence, as I imagine, of this defective conception of their science, that English Economists have not been as fertile as they should have been in verifying it. They have been too content to remain in the "abstract," and to shrink from concrete notions, because they could not but feel that many of the most obvious phenomena of many nations did not look much like their abstractions. Whereas in the societies with which the science is really concerned, an almost infinite harvest of verification was close at hand, ready to be gathered in; and because it has not been used, much confidence in the science has been lost, and it is thought "to be like the stars which give no good light because they are so high".

Of course this reasoning implies that the boundaries of this

sort of Political Economy are arbitrary, and might be fixed here or there. But this is already implied when it is said that Political Economy is an abstract science. All abstractions are arbitrary; they are more or less convenient fictions made by the mind for its own purposes. An abstract idea means a concrete fact or set of facts *minus* something thrown away. The fact or set of facts were made by nature; but how much you will throw aside of them and how much you will keep for consideration you settle for yourself. There may be any number of political economies according as the subject is divided off in one way or in another, and in this way all may be useful if they do not interfere with one another, or attempt to rule further than they are proved.

The particular Political Economy which I have been calling the English Political Economy, is that of which the first beginning was made by Adam Smith. But what he did was much like the rough view of the first traveller who discovers a country; he saw some great outlines well, but he mistook others and left out much. It was Ricardo who made the first map; who reduced the subjects into consecutive shape, and constructed what you can call a science. Few greater efforts of mind have been made, and not many have had greater fruits. From Ricardo the science passed to a whole set of minds—James Mill, Senior, Torrens, McCulloch, and others, who busied themselves with working out his ideas, with elaborating and with completing them. For five and twenty years the English world was full of such discussions. Then Mr. J. S. Mill—the Mr. Mill whom the present generation know so well, and who has had so much influence—shaped with masterly literary skill the confused substance of those discussions into a compact whole. He did not add a great deal which was his own, and some of what is due to him does not seem to me of great value. But he pieced the subjects together, showed where what one of his predecessors had done had fitted on to that of another, and adjusted this science to other sciences according to the notions of that time. To many students his book is the Alpha and Omega of Political Economy; they know little of what was before, and imagine little which can come after in the way of improve-

ment. But it is not given to any writer to occupy such a place. Mr. Mill would have been the last to claim it for himself. He well knew that, taking his own treatise as the standard, what he added to Political Economy was not a ninth of what was due to Ricardo, and that for much of what is new in his book he was rather the *Secrétaire de la Rédaction*, expressing and formulating the current views of a certain world, than producing by original thought from his own brain. And his remoteness from mercantile life, and I should say his enthusiastic character, eager after things far less sublunary than money, made him little likely to give finishing touches to a theory of "the great commerce". In fact he has not done so; much yet remains to be done in it as in all sciences. Mr. Mill, too, seems to me open to the charge of having widened the old Political Economy either too much or not enough. If it be, as I hold, a theory proved of, and applicable to, particular societies only, much of what is contained in Mr. Mill's book should not be there; if it is, on the contrary, a theory holding good for all societies, as far as they are concerned with wealth, much more ought to be there, and much which is there should be guarded and limited. English Political Economy is not a finished and completed theory, but the first lines of a great analysis which has worked out much, but which still leaves much unsettled and unexplained.

There is nothing capricious, we should observe, in this conception of Political Economy, nor, though it originated in England, is there anything specially English in it. It is the theory of commerce, as commerce tends more and more to be when capital increases and competition grows. England was the first—or one of the first—countries to display these characteristics in such vigour and so isolated as to suggest a separate analysis of them, but as the world goes on, similar characteristics are being evolved in one society after another. A similar money market, a similar competing trade based on large capital, gradually tends to arise in all countries. As "men of the world" are the same everywhere, so the great commerce is the same everywhere. Local peculiarities and ancient modifying circumstances fall away in both cases; and it is of this one and

uniform commerce which grows daily, and which will grow, according to every probability, more and more, that English Political Economy aspires to be the explanation.

And our Political Economy does not profess to prove this growing world to be a good world—far less to be the best. Abroad the necessity of contesting socialism has made some writers use the conclusions brought out by our English science for that object. But the aim of that science is far more humble; it says these and these forces produce these and these effects, and there it stops. It does not profess to give a moral judgment on either; it leaves it for a higher science, and one yet more difficult, to pronounce what ought and what ought not to be.

The first thing to be done for English Political Economy, as I hold, is to put its aim right. So long as writers on it do not clearly see, and as readers do not at all see, the limits of what they are analysing, the result will not satisfy either. The science will continue to seem what to many minds it seems now, proved perhaps but proved *in nubibus;* true, no doubt, somehow and somewhere, but that somewhere a *terra incognita*, and that somehow an unknown quantity.—As a help in this matter I propose to take the principal assumptions of Political Economy one by one, and to show, not exhaustively, for that would require a long work, but roughly, where each is true and where it is not. We shall then find that our Political Economy is not a questionable thing of unlimited extent, but a most certain and useful thing of limited extent. By marking the frontier of our property we shall learn its use, and we shall have a positive and reliable basis for estimating its value.

I.—THE TRANSFERABILITY OF LABOUR.

The first assumption which I shall take is that which is perhaps oftener made in our economic reasonings than any other, namely, that labour (masculine labour, I mean) and capital circulate readily within the limits of a nation from employment to employment, leaving that in which the remuneration is smaller and going to that in which it is greater. No assumption can be better founded, as respects such a country as England, in

such an economic state as our present one. A rise in the profits of capital, in any trade, brings more capital to it with us nowadays—I do not say quickly, for that would be too feeble a word, but almost instantaneously. If, owing to a high price of corn, the corn trade on a sudden becomes more profitable than usual, the bill-cases of bill-brokers and bankers are in a few days stuffed with corn bills—that is to say, the free capital of the country is by the lending capitalists, the bankers and bill-brokers, transmitted where it is most wanted. When the price of coal and iron rose rapidly a few years since, so much capital was found to open new mines and to erect new furnaces that the profits of the coal and iron trades have not yet recovered it. In this case the influence of capital attracted by high profits was not only adequate, but much more than adequate: instead of reducing these profits only to an average level, it reduced them below that level; and this happens commonly, for the speculative enterprise which brings in the new capital is a strong, eager, and rushing force, and rarely stops exactly where it should. Here and now a craving for capital in a trade is almost as sure to be followed by a plethora of it as winter to be followed by summer. Labour does not flow so quickly from pursuit to pursuit, for man is not so easily moved as money—but still it moves very quickly. Patent statistical facts show what we may call "the tides" of our people. Between the years shown by the last census, the years 1861 and 1871, the population of

The Northern counties increased		23	per cent.
Yorkshire	„	19	„
North-western counties	„	14	„
London	„	16	„

While that of

The South-western counties only increased		2	per cent.
Eastern	„	7	„
North Midland	„	9	„

—though the fertility of marriages is equal. The set of labour is steadily and rapidly from the countries where there is only agriculture and little to be made of new labour, towards those

where there are many employments and where much is to be made of it.

No doubt there are, even at present in England, many limitations to this tendency, both of capital and of labour, which are of various degrees of importance, and which need to be considered for various purposes. There is a "friction," but still it is only a "friction"; its resisting power is mostly defeated, and at a first view need not be regarded. But taking the world, present and past, as a whole, the exact contrary is true; in most ages and countries this tendency has been not victorious but defeated; in some cases it can scarcely be said even to have existed, much less to have conquered. If you take at random a country in history, the immense chances are that you will find this tendency either to be altogether absent, or not at all to prevail as it does with us now. This primary assumption of our Political Economy is not true everywhere and always, but only in a few places and a few times.

The truth of it depends on the existence of conditions which, taken together, are rarely satisfied. Let us take labour first, as it is the older and simpler of the two. First, there must be "employments," between which labour is to migrate; and this is not true at all of the primitive states of society. We are used to a society which abounds in felt wants that it can satisfy, and where there are settled combinations of men—trades as we call them—each solely occupied in satisfying some one of them. But in primitive times nothing at all like this exists. The conscious wants of men are few, the means of supplying them still fewer, and the whole society homogeneous—one man living much as another. Civilisation is a shifting mixture of many colours, but barbarism was and is of a dull monotony, hardly varying even in shade.

A picture or two of savage tribes brings this home to the mind better than abstract words. Let us hear Mr. Catlin's description of a favourite North American tribe, with which he means us to be much pleased: "The Mandans, like all other tribes, live lives of idleness and leisure, and of course devote a great deal of time to their amusements, of which they have a great variety. Of these dancing is one of the principal, and

may be seen in a variety of forms: such as the buffalo dance, the boasting dance, the begging dance, the scalp dance, and a dozen other dances, all of which have their peculiar characters and meanings and objects." [1]

Then he describes the "starts and jumps" of these dances, and goes on: "Buffaloes, it is well known, are a sort of roaming creatures congregating occasionally in huge masses, and strolling away about the country from east to west or from north to south, or just where their whims or fancies may lead them; and the Mandans are sometimes by this means most unceremoniously left without anything to eat, and being a small tribe and unwilling to risk their lives by going far from home in the face of their more powerful enemies, are oftentimes left almost in a state of starvation. In any emergency of this kind every man musters and brings out of his lodge his mask (the skin of a buffalo's head with the horns on), which he is obliged to keep in readiness for the occasion; and then commences the buffalo dance of which I have spoken, which is held for the purpose of making 'buffalo come,' as they term it,—of inducing the buffalo herds to change the direction of their wanderings, and bend their course towards the Mandan village and graze about on the beautiful hills and bluffs in its vicinity, where the Mandans can shoot them down and cook them as they want them for food. For the most part of the year the young warriors and hunters by riding out a mile or two from the village can kill meat in abundance; and sometimes large herds of these animals may be seen grazing in full view of the village. There are other seasons also when the young men have ranged about the country, as far as they are willing to risk their lives on account of their enemies, without finding meat. This sad intelligence is brought back to the chiefs and doctors, who sit in solemn council and consult on the most expedient measures to be taken until they are sure to decide the old and only expedient 'which has never failed'. This is the buffalo dance, which is incessantly continued till 'buffalo come,' and which the whole village by relays of dancers keeps up in succession. And when the buffaloes are seen, there is a brisk preparation for the chase—a great hunt takes place.

[1] *North American Indians*, Letter 18.

The choicest pieces of the carcase are sacrificed to the Great Spirit, and then a surfeit or a carouse. These dances have sometimes been continued for two or three weeks until the joyful moment when buffaloes made their appearance. And so they '*never fail*,' as the village thinks, to bring the buffaloes in."

Such is the mode of gaining the main source of existence, without which the tribe would starve. And as to the rest we are told: "The principal occupations of the women in this village consist in procuring wood and water, in cooking, dressing robes and other skins, in drying meat and wild fruits, and raising maize".[1]

In this attractive description there is hardly any mention of male labour at all; the men hunt, fight, and amuse themselves, and the women do all the rest.

And in the lowest form of savage life, in the stone age, the social structure must have been still more uniform, for there were still less means to break or vary it. The number of things which can be made with a flint implement is much greater than one would have imagined, and savages made more things with it than any one would make now. Time is nothing in the savage state, and protracted labour, even with the worst instrument, achieves much, especially when there are no other means of achieving anything. But there is no formal division of employments—no cotton trade, no iron trade, no woollen trade. There are beginnings of a division, of course, but, as a rule, every one does what he can at everything.

In much later times the same uniformity in the structure of society still continues. We all know from childhood how simple is the constitution of a pastoral society. As we see it in the Pentateuch it consists of one family, or a group of families, possessing flocks and herds, on which, and by which, they live. They have no competing employments; no alternative pursuits. What manufactures there are, are domestic, are the work of women at all times, and of men, of certain men, at spare times. No circulation of labour is then conceivable, for there is no circle; there is no group of trades round which to go, for the whole of industry is one trade.

[1] Letter 17.

Many agricultural communities are exactly similar. The pastoral communities have left the life of movement, which is essential to a subsistence on the flocks and herds, and have fixed themselves on the soil. But they have hardly done more than change one sort of uniformity for another. They have become peasant proprietors—combining into a village, and holding more or less their land in common, but having no pursuit worth mentioning, except tillage. The whole of their industrial energy—domestic clothes-making and similar things excepted—is absorbed in that.

No doubt in happy communities a division of labour very soon and very naturally arises, and at first sight we might expect that with it a circulation of labour would begin too. But an examination of primitive society does not confirm this idea; on the contrary, it shows that a main object of the social organisation which then exists, is to impede or prevent that circulation. And upon a little thought the reason is evident. There is no paradox in the notion; early nations were not giving up an advantage which they might have had; the good which we enjoy from the circulation of labour was unattainable by them; all they could do was to provide a substitute for it—a means of enjoying the advantages of the division of labour without it,—and this they did. We must carry back our minds to the circumstances of primitive society before we can comprehend the difficulty under which they laboured, and see how entirely it differs from any which we have to meet now.

A free circulation of labour from employment to employment involves an incessant competition between man and man, which causes constant quarrels,—some of which, as we see in the daily transactions of trades unions, easily run into violence; and also a constant series of new bargains, one differing from another, some of which are sure to be broken, or said to be so, which makes disputes of another kind. The peace of society was exposed in early times to greater danger from this source than now, because the passions of men were then less under control than now. "In the simple and violent times," as they have been well called, "which we read of in our Bibles," people struck one another, and people killed one another, for

very little matters as we should think them. And the most efficient counteractive machinery which now preserves that peace, then did not exist. We have now in the midst of us a formed, elaborate, strong Government, which is incessantly laying down the best rules which it can find to prevent trouble under changing circumstances, and which constantly applies a sharp pervading force running through society to prevent and punish breaches of those rules. We are so familiar with the idea of a Government inherently possessing and daily exercising both executive and legislative power, that we scarcely comprehend the possibility of a nation existing without them. But if we attend to the vivid picture given in the Book of Judges of an early stage in Hebrew society, we shall see that there was then absolutely no legislative power, and only a faint and intermittent executive power. The idea of law-making, the idea of making new rules for new circumstances, would have been as incomprehensible to Gideon or Abimelech as the statutes at large to a child of three years old. They and their contemporaries thought that there was an unalterable law consecrated by religion and confirmed by custom, which they had to obey, but they could not have conceived an alteration of it except as an act of wickedness—a worshipping of Baal. And the actual coercive power available for punishing breaches of it was always slight, and often broken. One "judge," or ruler, arises after another, sometimes in one tribe and place, and sometimes in another, and exercises some kind of jurisdiction, but his power is always limited; there is no organisation for transmitting it, and often there is no such person—no king in Israel whatever.

The names and the details of this book may or may not be historical, but its spirit is certainly true. The peace of society then reposed on a confused sentiment, in which respect for law, as such—at least law in our usual modern sense—was an inconsiderable element, and of which the main components were a coercive sense of ingrained usage, which kept men from thinking what they had not before thought, and from doing what they had not before done; a vague horror that something, they did not well know what, might happen if they did so; a close reli-

gion which filled the air with deities who were known by inherited tradition, and who hated uninherited ways; and a submission to local opinion inevitable when family and tribe were the main props of life,—when there really was "no world without Verona's walls,"[1]—when every exile was an outcast, expelled from what was then most natural, and scarcely finding an alternative existence.

No doubt this sentiment was in all communities partially reinforced by police. Even at the time of the "Judges," there were no doubt "local authorities," as we should now say, who forcibly maintained some sort of order, even when the central power was weakest. But the main support of these authorities was the established opinion; they had no military to call in, no exterior force to aid them; if the fixed sentiment of the community was not strong enough to aid them, they collapsed and failed. But that fixed sentiment would have been at once weakened, if not destroyed, by a free circulation of labour, which is a spring of progress that is favourable to new ideas, that brings in new inventions, that prevents the son being where his father was, that interrupts the traditions of generations and breaks inherited feeling. Besides causing new sorts of quarrels by creating new circumstances and new occasions, this change of men from employment to employment decomposes the moral authority which alone in this state of society can prevent quarrels or settle them. Accordingly, the most successful early societies have forbidden this ready change as much as possible, and have endeavoured, as far as they could, to obtain the advantages of the division of labour without it. Sir Henry Maine, to whom this subject so peculiarly belongs, and who has taught us so much more on it than any one else, shall describe the industrial expedients of primitive society as he has seen them still surviving in India. "There is," he says, "yet another feature of the modern Indian cultivating groups which connects them with primitive Western communities of the same kind. I have several times spoken of them as organised and self-acting. They, in fact, include a nearly complete establishment of occupations and trades for enabling them to

[1] "Romeo and Juliet," iii. 3.

continue their collective life without assistance from any person or body external to them. Besides the headmen or council, exercising quasi-judicial, quasi-legislative power, they contain a village police, now recognised and paid in certain provinces by the British Government. They include several families of hereditary traders; the blacksmith, the harness-maker, the shoemaker. The Brahman is also found for the performance of ceremonies, and even the dancing-girl for attendance at festivities. There is invariably a village accountant, an important person among an unlettered population, so important, indeed, and so conspicuous, that, according to reports current in India, the earliest English functionaries engaged in settlements of land were occasionally led, by their assumption that there must be a single proprietor somewhere, to mistake the accountant for the owner of the village, and to record him as such in the official register. But the person practising any one of these hereditary employments is really a servant of the community as well as one of its component members. He is sometimes paid by an allowance of grain, more generally by the allotment to his family of a piece of land in hereditary possession. Whatever else he may demand for the wares he produces is limited by a fixed price very rarely departed from."[1]

To no world could the free circulation of labour, as we have it in England, and as we assume it in our Political Economy, be more alien, and in none would it have been more incomprehensible. In this case, as in many others, what seems in later times the most natural organisation is really one most difficult to create, and it does not arise till after many organisations which seem to our notions more complex have preceded it and perished. The village association of India, as Sir Henry Maine describes it, seems a much more elaborate structure, a much more involved piece of workmanship, than a common English village where every one chooses his own calling, and where there are no special rules for each person, and where a single law rules all. But in fact our organisation is the more artificial because it presupposes the pervading intervention of an effectual Government—the last triumph of civilisation, and

[1] *Village Communities*, Lecture iv.

one to which early times had nothing comparable. In expecting what we call simple things from early ages, we are in fact expecting them to draw a circle without compasses, to produce the results of civilisation when they have not attained civilisation.

One instance of this want of simplicity in early institutions, which has, almost more than any other, impaired the free transit of labour, is the complexity of the early forms of landholding. In a future page I hope to say something of the general effects of this complexity, and to compare it with the assumptions as to ownership in land made by Ricardo and others. I am here only concerned with it as affecting the movement of men, but in this respect its effect has been incalculable. As is now generally known, the earliest form of landowning was not individual holding, but tribal owning. In the old contracts of Englishmen with savages nothing was commoner than for the king or chief to sell tracts of land,—and the buyers could not comprehend that according to native notions he had no right to do so, that he could not make a title to it, and that according to those notions there was no one who could. Englishmen in all land dealings looked for some single owner, or at any rate some small number of owners, who had an exceptional right over particular pieces of land; they could not conceive the supposed ownership of a tribe, as in New Zealand, or of a village in India, over large tracts. Yet this joint-stock principle is that which has been by far the commonest in the world, and that which the world began with. And not without good reason. In the early ages of society it would have been impossible to maintain the exclusive ownership of a few persons in what seems at first sight an equal gift to all—a thing to which every one has the same claim. There was then no distinct Government apart from and above the tribe any more than among New Zealanders now. There was no compulsory agency which could create or preserve exclusive ownership of the land, even if it wished. And of course it could not have been wished, for though experience has now conclusively shown that such exclusive ownership is desirable for and beneficial to the nation as a whole, as well as to the individual owner, no theorist would have been bold enough to predict this beforehand.

This monopoly is almost a paradox after experience, and it would have seemed monstrous folly before it. Indeed, the idea of a discussion of it is attributing to people in the year 1000 B.C. the notions of people in the year 1800 A.D. Common ownership was then irremediable and inevitable; no alternative for it was possible, or would then have been conceivable. But it is in its essence opposed to the ready circulation of labour. Few things fix a man so much as a share in a property which is fixed by nature; and common ownership, wherever it prevails, gives the mass of men such a share.

And there is another force of the same tendency which does not act so widely, but which when it does act is even stronger —in many cases is omnipotent. This is the disposition of many societies to crystallise themselves into *specialised* groups, which are definite units, each with a character of its own, and are more or less strictly hereditary. Sir Henry Maine has described to us how in an Indian village the blacksmith is hereditary, and the harness-maker, and the shoemaker,—and this is natural, for every trade has its secrets, which make a kind of craft or "mystery" of it, and which must be learnt by transmission or not at all. The first and most efficient kind of apprenticeship is that by birth; the father teaches his son that by which he makes his living, almost without knowing it; the son picks up the skill which is in the air of the house, almost without feeling that he is doing so. Even now we see that there are city families, and university and legal families,—families where a special kind of taste and knowledge are passed on in each generation by tradition, and which in each have in that respect an advantage over others. In most ages most kinds of skilled labour have shown a disposition to intensify this advantage by combination—to form a bounded and exclusive society, guild, trades union, or whatever it may be called, which keeps or tries to keep in each case to itself the rich secret of the inherited art. And even when no pains are taken, each special occupation, after it gains a certain size, tends to form itself into a separate group. Each occupation has certain peculiar characteristics which help to success in it, and which, therefore, it fosters and develops; and in a subtle way

these traits collect together and form a group-character analogous to a national character. The process of caste-making is often thought to be an old-world thing which came to an end when certain old castes were made and fixed before the dawn of history. But in fact the process has been actively at work in recent times, and has hardly yet died out. Thus in Cashmere, where the division of castes is already minute, Mr. Drew tells us that of the Batals—a class at the very bottom of the scale, "whose trade it is to remove and skin carcasses, and to cure leather,"—he has heard "that there are two classes; so apt are communities in India to divide and to subdivide, to perpetuate differences, and to separate rather than amalgamate. The higher Batals follow the Mohammedan rules as to eating, and are allowed some fellowship with the other Mohammedans. The lower Batals eat carrion, and would not bear the name of Mohammedans in the mouths of others, though they might call themselves so."[1] Just so, Sir W. Hunter says that "the Brahmans of Lower Bengal bore to the Brahmans of Oudh the same relation that the landed gentry of Canada or Australia bears to the landed gentry of England. Each is an aristocracy, both claim the title of Esquire, but each is composed of elements whose social history is widely different, and the home aristocracy never regards the successful settlers as equal in rank. The Brahmans of the midland land went further; they declared the Brahmans of Lower Bengal inferior not only in the social scale, but in religious capabilities. To this day many of the north country Brahmans do not eat with the Brahmans of the lower valley, and convicted felons from the north-west will suffer repeated floggings in jail, for contumacy, rather than let rice cooked by a Bengal Brahman pass their lips."[2] Caste-making is not a rare act, but a constantly occurring act, when circumstances aid it, and when the human mind is predisposed to it.

One great aid to this process is the mutual animosity of the different groups. "What one nation hates," said Napoleon, "is another nation;" just so, what one caste hates is another

[1] *Jummoo and Kashmir Territories*, chap. viii., by Frederick Drew.
[2] *Annals of Rural Bengal*, by Sir W. W. Hunter, chap. iii.

caste: the marked characteristics of each form—by their difference—a certain natural basis for mutual dislike. There is an intense disposition in the human mind—as you may see in any set of schoolboys—to hate what is unusual and strange in other people, and each caste supplies those adjoining it with a conspicuous supply of what is unusual. And this hatred again makes each caste more and more unlike the other, for every one wishes as much as possible to distinguish himself from the neighbouring hated castes by excelling in the peculiarities of his own caste, and by avoiding theirs.

In the ancient parts of the world these contrasts of group to group are more or less connected for the most part with contrasts of race. Very often the origin of the caste—the mental tendency which made its first members take to its special occupation—was some inborn peculiarity of race; and at other times, as successive waves of conquest passed over the country, each race of conquerors connected themselves most with, and at last were absorbed in, the pre-existing kind of persons which they most resembled, and frequently in so doing hardened into an absolute caste what was before a half-joined and incipient group.

Each conquest, too, tends to make a set of outcasts—generally from the worst part of the previous population—and these become "hewers of wood and drawers of water" to the conquerors—that is, they are an outlying and degraded race, which is not admitted to compete or mix with the others, and which becomes more degraded from feeling that it is thus inferior, and from being confined to the harder, baser, and less teaching occupations. And upon these unhappy groups the contempt and hatred of the higher ones tend to concentrate themselves, and, like most strong sentiments in the early world, these feelings find for themselves a religious sanction. To many villages in India, Sir Henry Maine says, there are attached a class of "outsiders" who never enter the village, or only enter reserved portions of it, who are looked on as "essentially impure," "whose very touch is avoided as contaminating". These poor people are more or less thought to be "accursed"; to have some taint which shows that the gods hate them, and which justifies men in hating them too, and in refusing to mix with them.

The result of these causes is, that many ancient societies are complex pieces of patchwork—bits of contrasted human nature, put side by side. They have a variegated complexity, which modern civilised States mostly want. And there must clearly have been an advantage in this organisation of labour—to speak of it in modern phrase—though it seems to us now so strange, or it would not have sprung up independently in many places and many ages, and have endured in many for long tracts of years. This advantage, as we have seen, was the gain of the division of labour without the competition which with us accompanies it, but which the structure of society was not then hard enough to bear.

No doubt we must not push too far this notion of the rigidity of caste. The system was too rigid to work without some safety-valves, and in every age and place where that system prevails, some have been provided. Thus in India we are told "a Brahman unable to subsist by his duties may live by the duty of a soldier; if he cannot get a subsistence by either of these employments, he may apply to tillage and attendance on cattle, or gain a competence by traffic, avoiding certain commodities. A Kshatriya in distress may subsist by all these means, but he must not have recourse to the highest functions. A Vaisya unable to subsist by his own duties may descend to the servile acts of a S'údra; and a S'údra, not finding employment by waiting on men of the higher classes, may subsist by handicrafts; besides the particular occupations assigned to the mixed classes, they have the alternative of following that profession which regularly belongs to the class from which they derive their origin on the mother's side;"[1] and so on, without end.

And probably it is through these supplementary provisions, as I may call them, that the system of caste ultimately breaks down and disappears. It certainly disappeared in ancient Egypt when the compact Roman Government was strong enough to do without it, and when a change of religion had removed the sanctions which fixed and consecrated it. The process is most slow, as our experience in India proves. The saying that "La providence a ses aises dans le temps" has rarely elsewhere seemed

[1] Colebrooke's Essays, vol. ii., No. vi., "Indian Classes".

so true. Still, the course is sure, and the caste system will in the end pass away, whenever an efficient substitute has been made for it, and the peace of industry secured without it.

But it would be a great mistake to believe that, whenever and wherever there is an efficient external government capable of enforcing the law, and of making the competitive migration of labour safe and possible, such migration of itself at once begins. There is, in most cases, a long and dreary economic interval to be passed first. In many countries, the beginning of such migration is for ages retarded by the want of another requisite—the want of external security. We have come in modern Europe to look on nations as if they were things indestructible—at least, on large nations. But this is a new idea, and even now it has to be taken with many qualifications. In many periods of history it has not been true at all; the world was in such confusion, that it was almost an even chance whether nations should continue, or whether they should be conquered and destroyed. In such times the whole energy of the community must be concentrated on its own defence; all that interferes with it must be sacrificed, if it is to live. And the most efficient mode of defending it is generally a feudal system; that is, a local militia based on the land, where each occupier of the soil has certain services to render, of which he cannot divest himself, and which he must stay on certain definite fields to perform when wanted. In consequence the races of men which were possessed of an organisation easily adapting itself to the creation of such a militia, have had a striking tendency to prevail in the struggle of history. "The feudal system," says Sir George Campbell, on many accounts one of our most competent judges, "I believe to be no invention of the Middle Ages, but the almost necessary result of the hereditary character of the Indo-Germanic institutions, when the tribes take the position of dominant conquerers. They form, in fact, an hereditary army, with that gradation of fealty from the commander to the private soldier which is essential in military operations. Accordingly, we find that among all the tribes of Indo-Germanic blood which have conquered and ruled Indian provinces, the tendency is to establish a feudal system extremely similar to that which pre-

vailed in Europe. In Rajpootana the system is still in full force. The Mahrattas and Sikhs had both established a similar system. In my early days it existed in great perfection in some parts of the Cis-Sutlej States."[1] And where the system is most developed, at the lowest point of the scale there is always an immovable class—serfs, *villeins regardants*, or what we choose to call them—who do not fight themselves, who perhaps are too abject in spirit, or perhaps are of too dubious fidelity to be let have arms, but who cultivate the ground for those who really fight. The soldier class, rooted to the land by martial tenure, has beneath it a non-soldier class even more rooted to the soil by the tenure of tilling it. I need not say how completely such a system of military defence, and such a system of cultivation, are opposed to the free transit of labour from employment to employment. Where these systems are perfectly developed, this transit is not so much impeded as prevented.

And there is a yet more pervading enemy of the free circulation of labour. This is slavery. We must remember that our modern notion that slavery is an exceptional institution, is itself an exceptional idea; it is the product of recent times and recent philosophies. No ancient philosopher, no primitive community, would have comprehended what we meant by it. That human beings are divided into strong and weak, higher and lower, or what is thought to be such; and that the weak and inferior ought to be made to serve the higher and better, whether they would wish to do so or not, are settled axioms of early thought. Whatever might be the origin and whatever might be the fate of other institutions, the ancient world did not doubt that slavery at all events existed "by the law of nature," and would last as long as men. And it interferes with the ready passage of labour from employment to employment in two ways. First, it prevents what we call for this purpose "employments"—that is, markets where labour may be bought, mostly in order that the produce may be sold. Slavery, on the contrary, strengthens and extends domestic manufactures where the produce is never sold at all, where it is never intended to be

[1] "Tenure of Land in India," chap. iii. of *Systems of Land Tenure in Various Countries* (Cobden Club Essays).

so, but where each household by its own hands makes what it wants. In a slave-community so framed, not only is there little quick migration of free labour, but there are few fit places for it to migrate between; there are no centres for the purchase of much of it; society tends to be divided into self-sufficing groups, buying little from the exterior. And at a later stage of industrial progress slavery arrests the movement of free labour still more effectively by providing a substitute. It is, then, the slave labour which changes occupation, and not the free labour.. Just as in the present day a capitalist who wants to execute any sort of work hires voluntary labour to do it, so in a former stage of progress he would buy slaves in order to do it. He might not, indeed, be able to buy enough slaves—enough suitable slaves, that is, for his purpose. The organisation of slavery has never been as effectual as our present classified system of free labour, and from intrinsic defects never can be. But it does develop earlier. Just when the system of free labour might develop if it were let alone, the imperfect substitute of slavery steps in and spoils it. When free labour still moves slowly and irregularly, and when frequent wars supply the slave-market with many prisoners, the slave-market is much the easiest resource of the capitalist. So it is when a good slave-trade keeps it well filled. The capitalist finds it better to buy than to hire, for there are in this condition of things comparatively many men to be bought and comparatively few to be hired. And the result takes unexpected directions. "What the printing-press is in modern times," says a German writer, "that slavery was in ancient times." And though this may be a little exaggerated, it is certain that in ancient Rome books were produced much cheaper and in much greater number than they were for hundreds of years afterwards. When there was a demand for a book, extra copying-slaves could be "turned-on" to multiply it in a way which in later times, when slavery had ceased, was impossible, and which is only surpassed by the way in which additional compositors are applied to works in demand now. And political philosophers proposed to obtain revenue from this source, and to save taxation. "Suppose," says Xenophon, "that the Athenian State should buy twelve hundred slaves, and should let them out to work

in the mines at an obolus a head, and suppose that the whole amount annually thus received should be employed in the purchase of new slaves, who should again in the same way yield the same income, and so on successively; the State would then by these means in five or six years possess six thousand slaves," which would yield a large income. The idea of a compound interest investment in men, though abhorrent to us, seemed most natural to Xenophon. And almost every page of the classics proves how completely the civilisation then existing was based on slavery in one or other of its forms—that of skilled labour (the father of Demosthenes owned thirty-three cutlers and twenty coachmakers) or unskilled, that might either be worked by the proprietor or let out, as he liked. Even if this system had only economic consequences, it must have prevented the beginning of freely moving labour, for it is much handier than such a system can be at its outset. And as we know, the system has moral effects working in the same way even more powerful, for it degrades labour by making it the slave-mark, and makes the free labourer—whether the *prolétaire* of ancient cities, or the "mean white" of American plantations —one of the least respectable and the least workmanlike of mankind.

Happily this full-grown form of slavery is exceedingly frail. We have ourselves seen in America how completely it collapses at an extrinsic attack; how easy it is to destroy it, how impossible to revive it. And much of the weakness of ancient civilisation was also so caused. Any system which makes the mass of a society hate the constitution of that society, must be in unstable equilibrium. A small touch will overthrow it, and scarcely any human power will re-establish it. And this is the necessary effect of capitalistic slavery, for it prevents all other labourers, makes slaves the "many" of the community, and fills their mind with grief and hatred. Capitalistic slavery is, as history shows, one of the easiest things to efface, as domestic slavery is one of the hardest. But capitalistic slavery has vitally influenced most of the greatest civilisations; and as domestic slavery has influenced nearly all of them, the entire effect of the two has been prodigious.

We see then that there are at least four conditions to be satisfied before this axiom of our English Political Economy is true within a nation. Before labour can move easily and as it pleases from employment to employment there must be such employments for it to move between;—there must be an effectual Government capable of maintaining peace and order during the transition and not requiring itself to be supported by fixity of station in society as so many Governments have been;—the nation must be capable of maintaining its independent existence against other nations without a military system dependent on localised and immovable persons; and there must be no competing system of involuntary labour limiting the number of employments or moving between them more perfectly than contemporary free labour. These are not indeed all the conditions needful for the truth of the axiom, but the others can be explained better when some other matters have been first discussed.

II.—THE TRANSFERABILITY OF CAPITAL.

In my last paper I discussed the fundamental principle of English Political Economy, that within the limits of a nation labour migrates from employment to employment, as increased remuneration attracts or decreased remuneration repels it; and now I have to treat the corresponding principle as to capital, that it flows or tends to flow to trades of which the profits are high, that it leaves or tends to leave those in which the profits are low, and that in consequence there is a tendency—a tendency limited and contracted, but still a tendency—to an equality of profits through commerce.

First, this requires such a development of the division of labour as to create what we call "trade," that is to say, a set of persons working for the wants of others, and providing for their own wants by the return-commodities received from those others. But this development has only been gradually acquired by the human race. Captain Cook found some Australian tribes to whom the idea of traffic seemed unknown. They received what was given them readily, but they received it as a present only; they seemed to have no notion of giving any-

thing in lieu of it. The idea of barter—an idea usually so familiar to the lower races of men—appeared never to have dawned on these very low ones. But among races in such a condition there is no change of trades as capital becomes more and more profitable in any one. The very conception comes long after. Every one works for himself at everything; and he always works most at what he likes most for the time; as he changes his desires, so far as he can he changes his labour. Whenever he works he uses the few tools he has, the stone implements, the charred wood, the thongs of hide, and other such things, in the best way he can; a hundred savages are doing so at once, some in one way, some in another, and these are no doubt "shiftings of capital". But there is no computation of profit, as we now reckon profit, on such shiftings. Profit, as we calculate, means that which is over after the capital is replaced. But a savage incapable of traffic does not make this calculation as to his flints and his hides. The idea could not even be explained to him.

Secondly, this comparison requires a medium in which the profits can be calculated, that is, a *money*. Supposing that in the flax trade profits are 5 per cent., and that side by side in the cotton trade they are 15 per cent., capital will nowadays immediately run from one to the other. And it does so because those who are making much, try to get more capital, and those who are making little—still more those who are losing—do not care to keep as much as they have. But if there is no money to compute in, neither will know what they are making, and therefore the process of migration wants its motive, and will not begin. The first sign of extra profit in a trade—not a conclusive, but a strongly presumptive one—is an extra high price in the article that trade makes or sells; but this test fails altogether when there is no "money" to sell in. And the debit side of the account, the cost of production, is as difficult to calculate when there is no common measure between its items, or between the product, and any of them. Political Economists have indeed an idea of "exchangeable value"—that is, of the number of things which each article will exchange for—and they sometimes suppose a state of barter in which people had this notion,

and in which they calculated the profit of a trade by deducting the exchangeable value of the labour and commodities used in its production from the value of the finished work. But such a state of society never existed in reality. No nation, which was not clever enough to invent a money, was ever able to conceive so thin and hard an idea as "exchangeable value". Even now Mr. Fawcett justly says that it puzzles many people, and sends them away frightened from books on Political Economy. In fact it is an ideal which those used to money-prices have framed to themselves. They see that the price of anything, the money it fetches, is equal to its "purchasing power" over things, and by steadily attending they come to be able to think of this "purchasing power" separately, and to call and reason upon it as exchangeable value. But the idea is very treacherous even to skilled minds, and even nowadays not the tenth part of any population could ever take it in. As for the nations really in a state of barter ever comprehending it, no one can imagine it, for they are mostly unequal to easy arithmetic, and some cannot count five. A most acute traveller thus describes the actual process of bargaining among savage nations as he saw it. "In practice," Mr. Galton tells us of the Damaras, "whatever they may possess in their language, they certainly use no numeral greater than three. When they wish to express four they take to their fingers, which are to them as formidable instruments of calculation as a sliding-rule is to an English schoolboy. They puzzle very much after five, because no spare hand remains to grasp and secure the fingers that are required for 'units'. Yet they seldom lose oxen: the way in which they discover the loss of one is not by the number of the herd being diminished, but by the absence of a face which they know. When bartering is going on each sheep must be paid for separately. Thus suppose two sticks of tobacco to be the rate of exchange for one sheep, it would sorely puzzle a Damara to take two sheep and give him four sticks. I have done so, and seen a man first put two of the sticks apart, and take a sight over them at one of the sheep he was about to sell. Having satisfied himself that that one was honestly paid for, and finding to his surprise that exactly two

sticks remained in hand to settle the account for the other sheep, he would be afflicted with doubts; the transaction seemed too pat to be correct, and he would refer back to the first couple of sticks, and then his mind got hazy and confused, and wandered from one sheep to the other, and he broke off the transaction until two sticks were put into his hand and one sheep driven away, and then the other two sticks given him, and the second sheep driven away."[1] Such a delineation of primitive business speaks for itself, and it is waste of space showing further that an abstraction like "value in exchange" is utterly beyond the reach of the real bartering peoples—that a habit of using money, and of computing in it, are necessary preliminaries to comparisons of profits.

Unquestionably the most primitive community can see if a pursuit utterly fails, or if it immensely succeeds. The earliest men must have been eager in making flint tools, for there are so many of them, and no doubt they did not try to breed cattle where they died. But there was in those days no adjusted comparison between one thing and another; all pursuits which anyhow suited went on then as they do among savages now.

Money, too, is in this matter essential, or all but essential, in another way. It is a form in which capital is held *in suspense* without loss. The transfer of capital from employment to employment is a matter requiring consideration, consideration takes time, and the capital must be somewhere during that time. But most articles are bought at a risk; they lose in the process, and become second-hand; an ordinary person cannot get rid of them without receiving for them less—often much less—than he gave. But money is never "second-hand"; it will always fetch itself, and it loses nothing by keeping. No doubt modern civilisation has invented some other forms of property which are almost as good to hold as money. Some interest-bearing securities, like Exchequer bills, are so, and pay an interest besides. But these are the creatures of money, so to say, and based upon it; they presuppose it, and would not be possible without it. A community of pure barter, even if

[1] *Travels in Tropical South Africa*, by Francis Galton, chap. v., p. 113.

it could reckon and compare profits, would not be able to move capital accurately from one trade to another, for it possesses no commodity which could, without risk of loss that could not be calculated, be held idle during the computation.

The refined means by which the movement is now effected is one of the nicest marvels of our commercial civilisation. The three principal of them are as follows:—

First,—There is the whole of the loan fund of the country lying in the hands of bankers and bill-brokers, which moves in an instant towards a trade that is unusually profitable, if only that trade can produce securities which come within banking rules. Supposing the corn trade to become particularly good, there are immediately twice the usual number of corn bills in the bill-brokers' cases; and if the iron trade, then of iron bills. You could almost see the change of capital, if you could look into the bill cases at different times. But what you could not see is the mental skill and knowledge which have made that transfer, and without which it could not have been made safely. Probably it would be new to many people if stated plainly; but a very great many of the strongest heads in England spend their minds on little else than on thinking whether other people will pay their debts. The life of Lombard Street bill-brokers is almost exclusively so spent. Mr. Chapman, one of the partners in Overend, Gurney & Co., once rather amused a Parliamentary committee by speaking with unction and enthusiasm of "paper of the very finest quality," by which he meant paper on which the best promises were written. Bills of exchange are only undertakings to pay money, and the most likely to be paid are, in the market phrase, of the "finest quality," and the less likely of inferior quality. The mind of a man like Mr. Chapman, if it could be looked into, would be found to be a graduating machine marking in an instant the rises and falls of pecuniary likelihood. Each banker in his own neighbourhood is the same; he is a kind of "solvency-meter," and lives by estimating rightly the "responsibility of parties," as he would call it. And the only reason why the London bill-broker has to do it on a greater scale is that, being in the great centre, he receives the surplus

savings not of one district but of many, which find no means of employment there. He is thus become the greatest and most just measurer of moneyed means and moneyed probity which the world has ever seen; to reduce it to its lowest terms, he knows that more people will pay more debts than any one who now is, or ever before was, in the world. And the combined aggregate of these persons is a prepared machine ready to carry capital in any direction. The moment any set of traders want capital, the best of them, those whose promises are well known to be good, get it in a minute, because it is lying ready in the hands of those who know, and who live by knowing, that they are fit to have it.

Secondly,—In modern England, there is a great speculative fund which is always ready to go into anything which promises high profits. The largest part of this is composed of the savings of men of business. When, as in 1871, the profits of many trades suddenly become much greater than usual, the Stock Exchange instantly becomes animated; there is at once a market for all kinds of securities, so long as they promise much, either by great interest or by rise of prices. Men of business who are used to a high percentage of profit in their own trade despise 3 or 4 per cent., and think that they ought to have much more. In consequence there is no money so often lost as theirs; there is an idea that it is the country clergyman and the ignorant widow who mostly lose by bad loans and bad companies. And no doubt they often do lose. But I believe that it is oftener still men of business, of slight education and of active temperament, who have made money rapidly, and who fancy that the skill and knowledge of a special trade which have enabled them to do so, will also enable them to judge of risks, and measure contingencies out of that trade; whereas, in fact, there are no persons more incompetent, for they think they know everything, when they really know almost nothing out of their little business, and by habit and nature they are eager to be doing. So much of their money as comes to London is in greater jeopardy almost than any other money. But there is a great deal which never comes there, and which those who make it are able to put out in

pushing their own trade and in extending allied trades. The very defects which make the trader so bad a judge of other things make him an excellent judge of these, and he is ready and daring, and most quick to make use of what he knows. Each trade in modern commerce is surrounded by subsidiary and kindred trades, which familiarise the imagination with it, and make its state known; as soon, therefore, as the conspicuous dealers in that trade are known to be doing particularly well, the people in the surrounding trades say, "Why should not we do as well too?" and they embark their capital in it—sometimes, of course, wrongly, but upon the whole wisely and beneficially. In an animated business world like ours, these inroads into the trades with largest gains by the nearest parts of the speculative fund are incessant, and are a main means of equalising profits.

Lastly,—There is the obvious tendency of young men starting in business to go into the best-paying business, or what is thought to be so at that time. This, in the best cases, also acts mainly on the allied and analogous trades. Little good, for the most part, comes of persons who have been brought up on one side of the business world going quite to the other side—of farmers' sons going to cotton-spinning, or of lacemakers' sons going into shipping. Each sort of trade has a tradition of its own, which is never written, probably could not be written, which can only be learned in fragments, and which is best taken in early life, before the mind is shaped and the ideas fixed. From all surrounding trades there is an incessant movement of young men with new money into very profitable trades, which steadily tends to reduce that profitableness to the common average.

I am more careful than might seem necessary to describe the entire process of equalisation at length, because it is only by so doing that we can see how complex it is, and how much development in society it requires; but as yet the description is not complete, or nearly so. We have only got as far as the influx of money into new trades, but this is but a small part of what is necessary. Trades do not live by money alone; money by itself will not make anything. What, then, do we

mean when we speak of "capital" as flowing from employment to employment.

Some writers speak as if the only thing which transfers of capital effect is a change in the sort of labour that is set in motion; and no doubt this is so far true, that all new employments of capital do require new labour. Human labour is the primitive moving force, and you must have more of it if you want more things done; but the description, though true, is most incomplete, as the most obvious facts in the matter prove. When new capital comes into cotton-spinning, this means not only that new money is applied to paying cotton operatives, but also that new money is applied to buying new spinning machines; these spinning machines are made by other machines, as well as labour; and the second lot of machines again by a third set, as well as other labour. In the present state of the world, nothing is made by brute labour; everything is made by aids to labour; and when capital goes from trade to trade, it settles not only which sort of labour shall be employed, but which sort of existing machines shall be first used up, which sort of new ones made, and how soon those new ones shall be worn out, not only in the selected trade, but in an endless series subsidiary to it.

To understand the matter fully, we must have a distinct view of what on this occasion and on this matter we mean by "capital". The necessity of a science like Political Economy is that it must borrow its words from common life, and therefore from a source where they are not used accurately, and cannot be used accurately. When we come to reason strictly on the subjects to which they relate we must always look somewhat precisely to their meaning; and the worst is that it will not do, if you are writing for the mass of men, even of educated men, to use words always in the same sense. Common words are so few, that if you tie them down to one meaning they are not enough for your purpose; they do their work in common life because they are in a state of incessant slight variation; meaning one thing in one discussion and another a little different in the next. If we were really to write an invariable nomenclature in a science where we have so much to say of so

many things as we have in Political Economy, we must invent new terms, like the writers on other sciences. Mr. de Morgan said (in defence of some fresh-coined substantive): "Mathematics must not want words because Cicero did not know the differential calculus". But a writer on Political Economy is bound—not perhaps by Cicero—but by his readers. He must not use words out of his own head, which they never heard of; they will not read him if he does. The best way, as we cannot do this, is to give up uniform uses—to write more as we do in common life, where the context is a sort of unexpressed "interpretation clause," showing in what sense words are used; only, as in Political Economy we have more difficult things to speak of than in common conversation, we must take more care, give more warning of any change, and at times write out the "interpretation clause" for that page or discussion, least there should be any mistake. I know that this is difficult and delicate work; and all I have to say in defence of it is that in practice it is safer than the competing plan of inflexible definitions. Any one who tries to express varied meanings on complex things with a scanty vocabulary of fastened senses, will find that his style grows cumbrous without being accurate, that he has to use long periphrases for common thoughts, and that after all he does not come out right, for he is half his time falling back into the senses which fit the case in hand best, and these are sometimes one, sometimes another, and almost always different from his "hard and fast" sense. In such discussions we should learn to vary our definitions as we want, just as we say, "let x, y, z mean" now this, and now that, in different problems; and this, though they do not always avow it, is really the practice of the clearest and most effective writers.

By capital, then, in this discussion, we mean an aggregate of two unlike sorts of artificial commodities—co-operative things which help labour, and remunerative things which pay for it. The two have this in common, that they are the produce of human labour, but they differ in almost everything else if you judge of them by the visual appearance. Between a loaf of bread and a steam-engine, between a gimlet and a piece of bacon, there looks as if there were really nothing in common,

except that man manufactured both. But, though the contrast of externalities is so great, the two have a most essential common property which is that which Political Economy fixes upon; the possible effect of both is to augment human wealth. Labourers work because they want bread; their work goes farther if they have good tools; and therefore economists have a common word for both tools and bread. They are both capital, and other similar things are so too.

And here we come across another of the inevitable verbal difficulties of Political Economy. Taking its words from common life, it finds that at times and for particular discussions it must twist them in a way which common people would never think of. The obvious resemblances which we deal with in life dictate one mode of grouping objects in the mind, and one mode of speaking of them; the latent but more powerful resemblance which science finds would dictate another form of speech and mental grouping. And then what seems a perverse use of language must be made. Thus, for the present discussion, the acquired skill of a labourer is capital, though no one in common life would call it so. It is a productive thing made by man, as much as any tool; it *is*, in fact, an immaterial tool which the labourer uses just as he does a material one. It is co-operative capital as much as anything can be. And then, again, the most unlikely-looking and luxurious articles are capital if they reward and stimulate labour. Artisans like the best of rabbits, the best bits of meat, green peas, and gin; they work to get these; they would stay idle if they were not incited by these, and therefore these are "capital". Political Economy (like most moral sciences) requires not only to change its definitions as it moves from problem to problem, but also for some problems to use definitions which, unless we see the motive, seem most strange; just as in Acts of Parliament the necessity of the draftsman makes a very technical use of words necessary if he is to do his work neatly, and the reader will easily be most mistaken and confused if he does not heed the dictionary which such Acts contain.

Remembering all this, we see at once that it is principally remunerative capital which is transferable from employment to

employment. Some tools and instruments are, no doubt, used in many trades, especially the complex ones; knives, hammers, twine, and nails can be used, are used, in a thousand. The existing stock of these is transferred bodily when capital migrates from an employment. But, in general, as I have said before, the effect of the migration on co-operative capital is to change the speed with which the existing machines are worked out, and the nature of the new machines which are made; the "live skill" of an artisan being treated as a machine. On remunerative capital the effect is simpler. As a rule, much the same commodities reward labour in different trades, and if one trade declines and another rises, the only effect is to change the labourer who gets these commodities; or, if the change be from a trade which employs little skilled labour to one which employs much, then the costly commodities which skilled labour wants will be in demand, more of them will be made, and there will be an increase of animation in all the ancillary trades which help their making.

We see also more distinctly than before what we mean by an "employment". We mean a group of persons with fitting tools and of fitting skill paid by the things they like. I purposely speak of "tools" to include all machines, even the greatest, for I want to fix attention on the fact that everything depends on the effort of man, on the primary fruit of human labour. Without this to start with, all else is useless. And I use it out of brevity to include such things as coal and materials, which for any other purpose no one would call so, but which are plainly the same for what we have now to do with.

And "employment" in any large trade implies an "employer". The capitalist is the motive power in modern production, in the "great commerce". He settles what goods shall be made, and what not; what brought to market, and what not. He is the general of the army; he fixes on the plan of operations, organises its means, and superintends its execution. If he does this well, the business succeeds and continues; if he does it ill, the business fails and ceases. Everything depends on the correctness of the unseen decisions, on

the secret sagacity of the determining mind. And I am careful to dwell on this, though it is so obvious, and though no man of business would think it worth mentioning, because books forget it,—because the writers of books are not familiar with it. They are taken with the conspicuousness of the working classes; they hear them say: "It is we who made Birmingham, we who made Manchester," but you might as well say that it was the "compositors" who made the *Times* newspaper. No doubt the craftsmen were necessary to both, but of themselves they were insufficient to either. The printers do not settle what is to be printed; the writers do not even settle what is to be written. It is the editor who settles everything. He creates the *Times* from day to day; on his power of hitting the public fancy its prosperity and power rest; everything depends on his daily bringing to the public exactly what the public wants to buy; the rest of Printing-House Square—all the steam-presses, all the type, all the staff, clever as so many of them are,—are but implements which he moves. In the very same way the capitalist edits the "business"; it is he who settles what commodities to offer to the public; how and when to offer them, and all the rest of what is material. This monarchical structure of money business increases as society goes on, just as the corresponding structure of war business does, and from the same causes. In primitive times a battle depends as much on the prowess of the best fighting men, of some Hector or some Achilles, as on the good science of the general. But nowadays it is a man at the far end of a telegraph wire—a Count Moltke, with his head over some papers,—who sees that the proper persons are slain, and who secures the victory. So in commerce. The primitive weavers are separate men with looms apiece, the primitive weapon-makers separate men with flints apiece; there is no organised action, no planning, contriving, or foreseeing in either trade, except on the smallest scale; but now the whole is an affair of money and management; of a thinking man in a dark office, computing the prices of guns or worsteds. No doubt in some simple trades these essential calculations can be verified by several persons—by a board of directors, or something like it.

But these trades, as the sagacity of Adam Smith predicted,[1] and as painful experience now shows, are very few; the moment there comes anything difficult or complicated, the Board "does not see its way," and then, except it is protected by a monopoly, or something akin to monopoly, the individual capitalist beats it out of the field. But the details of this are not to my present purpose. The sole point now material is that the transference of capital from employment to employment involves the pre-existence of employment, and this pre-existence involves that of "employers": of a set of persons—one or many, though usually one—who can effect the transfer of that capital from employment to employment, and can manage it when it arrives at the employment to which it is taken.

And this management implies knowledge. In all cases successful production implies the power of adapting means to ends, of making what you want as you want it. But after the division of labour has arisen, it implies much more than this: it then requires, too, that the producer should know the wants of the consumer, a man whom mostly he has never seen, whose name probably he does not know, very likely even speaking another language, living according to other habits, and having scarcely any point of intimate relation to the producer, except a liking for what he produces. And if a person who does not see is to suit another who is not seen, he must have much head-knowledge, an acquired learning in strange wants as well as of the mode of making things to meet them. A person possessing that knowledge is necessary to the process of transferring capital, for he alone can use it when the time comes, and if he is at the critical instant not to be found, the change fails, and the transfer is a loss and not a gain.

This description of the process by which capital is transferred and of what we mean by it, may seem long, but it will enable us to be much shorter in showing the conditions which that transfer implies. First, it presupposes the existence of transferable labour, and I showed before how rare transferable labour is in the world, and how very peculiar are its prerequisites. You cannot have it unless you have a strong

[1] *The Wealth of Nations*, book v., chap. i.

Government, which will keep peace in the delicate line on which people are moving. You must not have fixed castes in inherited occupations, which at first are ways and means to do without a strong Government, but which often last on after it begins; you must not have a local army which roots men to fixed spots for military purposes, and therefore very much to fixed pursuits; and you must not have slavery, for this is an imperfect substitute for free transferable labour, which effectually prevents the existence of it. Complete freedom of capital presupposes complete freedom of labour, and can only be attained when and where this exists.

No doubt capital begins to move much before the movement of labour is perfect. The first great start of it commences with a very unpopular person, who is almost always spoken evil of when his name is mentioned, but in whom those who know the great things of which he has been the forerunner will always take a great interest. It is the money-lender in a primitive community, whose capital is first transferred readily from occupation to occupation. Suppose a new crop, say cotton, becomes suddenly lucrative, immediately the little proprietors throng to the money-lender's to obtain funds to buy cotton. A new trade is begun by his help, which could not have been begun without him. If cotton ceases to be a good crop, he ceases to lend to grow it, his spare capital either remains idle or goes to some other loan, perhaps to help some other crop which has taken the place of cotton in profitableness. There is no more useful trade in early civilisation, though there is none which has such a bad name, and not unnaturally, for there is none which then produces more evil as well as good. Securities for loans, such as we have them in developed commerce, are rarely to be met with in early times; the land—the best security as we think it—is then mostly held upon conditions which prevent its being made in that way available; there is little moveable property of much value, and peasants who work the land have scarcely any of that little; the only thing they can really pledge is their labour—*themselves*. But then when the loan is not paid, "realising the security" is only possible by making the debtor a slave, and as this is very

painful, the creditor who makes much use of it is hated. Even when the land can be pledged, peasant proprietors never think that it ought really to be taken if the debt for which it is pledged is not paid. They think that the land is still theirs, no matter how much has been lent them upon it, or how much they have neglected to pay. But odious as the "usurer" thus becomes, he is most useful really, and the beginner of the movement which creates the "great commerce".

Another condition which precedes the free transfer of labour —the first prerequisite of the free transfer of capital—is slavery, and within its limits this is free enough; indeed, more free than anything else similar, for you have not to consult the labourer at all, as in all other organisations you must. The capitalist buys the slave and sets him to do, not what the slave likes, but what he himself likes. I can imagine that a theorist would say beforehand that this was the best way of getting things done, though not for the happiness of the doer. It makes the "working group" into an army where the general is absolute, and desertion penal. But so subtle is the nature of things, that actual trial shows this structure of society not to be industrially superior to all others, but to be very ineffectual indeed, and industrially inferior to most of them. The slave will not work except he is made, and therefore he does little; he is none the better, or little the better, if he does his work well than if he does it ill, and therefore he rarely cares to do it very well. On a small scale, and under careful supervision, a few slaves carefully trained may be made to do very good work, but on any large scale it is impossible. A gang of slaves can do nothing but what is most simple and easy, and most capable of being looked after. The Southern States of America, for some years before their rebellion, were engaged in trying on the greatest scale and with the most ample means the world has ever seen the experiment how far slavery would go; and the result is easily stated; they never could "make brute force go beyond brute work".

Next, in order that capital can be transferred, it must exist and be at the disposal of persons who wish to transfer it. This is especially evident as to remunerative capital, which we have

seen to be the most transferable of all capital. But the earliest wages-paying commodities—the food and the necessaries which in simple communities the labourer desires—are accumulated by persons who want them for their own use, and who will not part with them. The "untransferable" labourer—the labourer confined to a single occupation in a primitive society—saves certain things for himself, and needs them for himself, but he has no extra stock. He has no use, indeed, for it. In a society where there is no transferable labour, or need to hire, there is no motive, or almost none, for an accumulation of wages-paying capital which is to buy labour. The idea of it, simple as it seems to us, is one of a much later age, like that in which labour seeking to be hired is the commonest of things, and therefore the commodities needed for hiring it are among the commonest too. The means of buying, and the thing bought, inevitably in such a case as this grow together.

As to the other kind of capital—that which aids labour, the co-operative kind—the scientific study of savage tribes, which is so peculiar a feature of the present world, has brought out its scantiness—I might say its meanness—almost more distinctly than it has brought out anything else. Sir John Lubbock, one of our greatest instructors on this matter, tells us the implements of the Australians are very simple. "They have no knowledge of pottery, and carry water in skins, or in vessels made of bark. They are quite ignorant of warm water, which strikes them with great amazement." Some of them carry "a small bag about the size of a moderate cabbage net, which is made by laying threads, loop within loop, somewhat in the manner of knitting used by our ladies to make purses. This bag the man carries loose upon his back by a small string, which passes over his head; it generally contains a lump or two of paint and resin, some fish-hooks and lines, a shell or two out of which these hooks are made, a few points of darts, and their usual ornaments, which include the whole worldly treasure of the richest man among them." All travellers say that rude nations have no *stock* of anything—no materials lying ready to be worked up, no idle tools waiting to be used; the whole is a "hand-to-mouth" world. And

this is but another way of saying that in such societies there is no capital of this kind to be transferred. We said just now that what we meant by transfer in such a case was a change in the sort of stock—the kind of materials, the kind of machines, the kind of living things to be used fastest and worn out quickest. But in these poverty-stricken early societies there is substantially no such stock at all. Every petty thing which there exists is already being used for all its petty purposes, and cannot be worked more quickly than it already is, or be worn out more rapidly than it is being worn out.

Next, this capital must be concentrated in "trades," else it cannot be transferred from trade to trade for the sake of profit, and it must be worked by a single capitalist, or little group of capitalists, as the case may be, else the trade will not yield profit. And this, as has been explained, is not a universal feature of all times, but a special characteristic of somewhat advanced eras. And there must be the knowledge capable of employing that capital—a knowledge which altogether differs in different trades. Nowadays the amount of the difference is a little disguised from us because we see people with "capital" in various pursuits—that is, who are traders in each and all of them. But such persons could not do this unless they were assisted by more specialised persons. The same principle governs political administration. Sir George Lewis, one of the most capable judges of it in our time, has observed: "The permanent officers of a department are the depositaries of its official tradition; they are generally referred to by the political head of the office for information on questions of official practice, and knowledge of this sort acquired in one department would be useless in another. If, for example, the chief clerk of the criminal department of the Home Office were to be transferred to the Foreign Office, or to the Admiralty, the special experience which he has acquired at the Home Office, and which is in daily requisition for the guidance of the Home Secretary, would be utterly valueless to the Foreign Secretary, or to the First Lord of the Admiralty. . . . Where a general superintendence is required, and assist-

ance can be obtained from subordinates, and where the chief qualifications are judgment, sagacity, and enlightened political opinions, such a change of offices is possible; but as you descend lower in the official scale, the speciality of functions increases. The duties must be performed in person, with little or no assistance, and there is consequently a necessity for special knowledge and experience. Hence the same person may be successively at the head of the Home Office, the Foreign Office, the Colonial Office and the Admiralty; he may be successively President of the Board of Trade, and Chancellor of the Exchequer; but to transfer an experienced clerk from one office to another would be like transferring a skilful naval officer to the army, or appointing a military engineer officer to command a ship of war." And just so in mercantile business—there are certain general principles which are common to all kinds of it, and a person can be of considerable use in more than one kind if he understands these principles, and has the proper sort of mind. But the appearance of this common element is in commerce, as in politics, a sign of magnitude, and primitive commerce is all petty. In early tribes there is nothing but the special man—the clothier, the mason, the weapon-maker. Each craft tried to be, and very much was, a mystery except to those who carried it on. The knowledge required for each was possessed by few, kept secret by those few, and nothing else was of use but this monopolised and often inherited acquirement; there was no "general" business knowledge. The idea of a general art of money-making is very modern; almost everything ancient about it is individual and particular. Distance helped much in this kind of speciality. "To the great fair of Stourbridge," in the south of England, there came, we are told, besides foreign products, "the woolpacks, which then formed the riches of England, and were the envy of outer nations. The Cornish tin-mine sent its produce, stamped with the sign of the rich earl who bought the throne of the German empire, or of the warlike prince who had won his spurs at Crécy, and captured the French king at Poitiers. . . . Thither came also salt from the springs of Worcestershire, as well as that

which had been gathered under the summer sun from the salterns of the eastern coasts. Here, too, might be found lead from the mines of Derbyshire, and iron, either raw or manufactured, from the Sussex forges."[1] In an age when locomotion was tedious and costly, the mere distance of the separate seats of industry tended to make separate monopolies of them. Other difficulties of transferring capital were aggravated by the rarity and the localisation of the knowledge necessary for carrying it on.

Next, as we have seen, for the attraction of capital from trade to trade, there must be a money in which to calculate such profits, and a good money too. Many media of interchange which have been widely used in the world, and which are quite good enough for many purposes, are quite unfit for this. Cattle, for instance, which were certainly one of the first-used kinds of money, and which have been said to have been that most used, because what we call the primitive ages lasted so long, are quite inadequate. They are good enough for present bargains, but not for the forward- and backward-looking calculations of profit and loss. The notation is not distinct enough for accuracy. One cow is not exactly like another; a price-list saying that so much raw cotton was worth twenty cows, and so much cotton worth thirty cows, would not tell much for the purpose; you could not be sure what cows you would have to give or you would get. There might be a "loss by exchange" which would annihilate profit. Until you get good coined money, calculations of profit and loss that could guide capital are impossible.

Next, there must be the means of shifting "money," which we analysed—the loan fund, the speculative fund, and the choice of employment by young capitalists, or some of them. The loan fund on a small scale is, as we have seen, a very early institution; it begins in the primitive village almost as soon as any kind of trade begins at all, and a perception of its enormous value is one of the earliest pieces of true economic speculation. "In the Athenian laws," says Demosthenes, "are many well-devised securities for the protection of the

[1] Thorold Rogers.

creditor; for commerce proceeds not from the borrowers, but from the lenders, without whom no vessel, no navigator, no traveller could depart from port." Even in these days we could hardly put the value of discounts and trade loans higher. But though the loan fund begins so early in civilisation, and is prized so soon, it grows very slowly; the full development, modern banking such as we are familiar with in England, stops where the English language ceases to be spoken. The peculiarity of that system is that it utilises all the petty cash of private persons down nearly to the end of the middle class. This is lodged with bankers on running account, and though incessantly changing in distribution, the quantity is nearly fixed on the whole, for most of what one person pays out others almost directly pay in; and therefore it is so much added to the loan fund which bankers have to use, though, as credit is always precarious, they can, of course, only use it with caution. Besides this, English bankers have most of the permanent savings of little persons deposited with them, and so have an unexampled power of ready lending. But ages of diffused confidence are necessary to establish such a system, and peculiar circumstances in the banking history of England, and of Scotland still more, have favoured it. Our insular position exempting us from war, and enabling our free institutions to develop both quietly and effectually, is at the very root of it. But here until within a hundred years there was no such concentration of minute moneys, no such increment to the loan fund, and abroad there is nothing equal to it now. Taking history as a whole, it is a rare and special phenomenon. Mostly the loan fund of a country consists of such parts of its moneyed savings as those who have saved them are able to lend for themselves. As countries advance banking slowly begins, and some persons who are believed to have much, are entrusted with the money of others, and become a sort of middlemen to put it out; but almost everywhere the loan fund is very small to our English notions. It is a far less efficient instrument for conveying capital from trade to trade everywhere else than here; in very many countries it is only incipient; in some it can hardly be said to exist at all.

The speculative fund, as I have called it, has also but a bounded range of action. The number of persons who have large moneyed savings who are willing to invest them in new things is in England considerable, but in most countries it is small. Such persons fear the unknown; they have a good deal to lose, and they do not wish to lose it. In most communities there is not even the beginning of a settled opinion to tell them which undertaking is likely to be good, and which bad. In the industrial history of most countries, the most marked feature is an extreme monotony; enterprises are few; the same things continue for ages to be done in the same way. The *data* which should guide original minds are few and insufficient; there was not such a thing as a "price list" in any ancient community. No Athenian merchant could, by looking over a file of figures, see which commodities were much lower in their average price, and which therefore might be advantageously bought with money that he could not employ in his usual trade. Even for so simple a speculation as this, according to our present notions, the *data* did not exist, and for more complex ones the knowledge was either altogether wanting or confined to a few persons, none of whom might have the idle capital. The speculative fund does not become a force of first-rate magnitude till we have in the same community a great accumulation of spare capital, and a wide diffusion of sound trade knowledge,—and then it does.

The free choice by young men of the mode in which they will invest the capital which they possess, is also in the early times of trade much hindered and cramped, and it only gains anything near the effective influence which it now has with us, in quite late times. For a long period of industrial history special associations called "guilds" prohibited it; these kept each trade apart, and prevented capital from going from one to the other. They even kept the trade of city A quite apart from the same trade in city B; they would not let capital or labour flow from one to the other. These restrictive hedges grew up naturally, and there was no great movement to throw them down. They strengthened what was already strong, and that which was weak made no protest. The general ignorance

of trade matters in such communities made it seem quite reasonable to keep each trade to those who understood it; other people going into it would, it was imagined, only do it ill, lose their money, and hurt those who did it well by pernicious competition. We now know that this is a great error, that such guilds did far more harm than good, that only experiment can show where capital will answer in trade, that it is from the outsider that the best improvements commonly come. But these things, which are now commonplaces after experience, were paradoxes before it. The first deduction of the uninstructed mind was and is the other way. Nor is it dispelled by mere argument. Civilisation must increase, trade ideas must grow and spread, and idle capital waiting to change must accumulate. Till these things have happened, the free choice by a young man how he will invest his capital is not the common rule, but the rare exception; it is not what mostly happens, though it may be resisted, but what happens only where it is unusually helped. Even where there is no formal guild, the circumstances which have elsewhere created so many, create an informal monopoly, mostly much stronger than any force which strives to infringe it.

None, therefore, of the three instruments which now convey capital from employment to employment can in early times be relied on for doing so, even when that capital exists, and when some labour at least is available to be employed by it; neither the loan fund, nor the speculative fund, nor the free choice of a trade by young men, is then a commonly predominant power; nor do the whole three taken together commonly come to much in comparison with the forces opposed to them.

And even if their intrinsic strength had been far greater than it was, it would often have been successfully impeded by the want of a final condition to the free transfer of capital, of which I have not spoken yet. This is a political condition. We have seen that for the free transfer of labour from employment to employment a strong Government is necessary. The rules regulating the inheritance of trades and the fixed separations of labour were really contrivances

to obtain some part of the results of the division of labour, when for want of an effectual Government, punishing quarrels and preserving life, free competition and movement in labour were impossible. And this same effectual Government is equally necessary, as need not be explained, for the free migration of money. That migration needs peace and order quite as obviously as the migration of labour; and those who understand the delicacy of the process will need no proof of it. But though a strong Government is required, something more is wanted too; for the movement of capital we need a *fair* government. If capital is to be tempted from trade to trade by the prospect of high profits, it must be allowed to keep those profits when they have been made. But the primitive notion of taxation is that when a Government sees much money it should take some of it, and that if it sees more money it should take more of it. Adam Smith laid down, as a fundamental canon, that taxes ought to be levied at the time when, and in the manner in which, it is most easy for the tax-payer to pay them. But the primitive rule is to take them when and how it is most easy to find and seize them. Under Governments with that rule persons who are doing well shrink from showing that they are doing well; those who are making money refuse to enjoy themselves, and will show none of the natural signs of that money, lest the tax-gatherer should appear and should take as much as he likes of it. A socialist speaker once spoke of a "*healthy* habit of confiscation," and that habit has been much diffused over the world. Wherever it exists it is sure exceedingly to impede the movements of capital, and where it abounds to prevent them.

These reasonings give us a conception of a "pre-economic" era when the fundamental postulates of Political Economy, of which we have spoken, were not realised, and show us that the beginnings of all wealth were made in that era. Primitive capital accumulated in the hands of men who could neither move it nor themselves—who really never thought of doing either—to whom either would often have seemed monstrous if they could have thought of it, and in whose case either was still more often prevented by insuperable difficulties. And

this should warn us not to trust the historical retrospect of economists, merely because we see and know that their reasonings on the events and causes of the present world are right. Early times had different events and different causes. Reasoners like economists, and there are many others like them, are apt to modify the famous saying of Plunket; they turn history not into an old almanac, but into a new one. They make what happens now to have happened always, according to the same course of time.

And these reasonings also enable us to explain what is so common in all writing concerning those early and pre-economic times. One of the commonest phenomena of primitive trade is "fixed" prices, and the natural inquiry of every one who is trained in our Political Economy is, how could these prices be maintained? They seem impossible according to the teaching which he has received, and yet they were maintained for ages; they lasted longer than many things nowadays which we do not reckon short-lived. One explanation is that they were maintained by custom; but this fails at the crisis, for the question is, how could the custom be maintained? The unchanging price could not always be right under changing circumstances. Why did not capital and labour flow into the trades which at the time had more than their "natural" price, desert those which had less, and so disturb the first with a plethora, and the second with a scarcity? The answer we now see is that what we have been used to call "natural" is not the first but the second nature of men; that there were ages when capital and labour could not migrate, when trade was very much one of monopoly against monopoly. And in such a society, fixing a price is a primitive way of doing what in after ages we do as far as we can; it is a mode of regulating the monopoly—of preventing the incessant dissensions which in all ages arise about what is a just price and what is not, when there is no competition to settle that price. The way in which "custom" settles prices, how it gradually arrives at what is right and proper, or at least at what is endurable, one cannot well say; probably many incipient customary prices break down before the one which suits and lasts

is stumbled upon. But defects of this rule-of-thumb method are no reproach to primitive times. When we try to regulate monopolies ourselves we have arrived at nothing better. The fares of railways—the fixed prices at which these great monopolies carry passengers—are as accidental, as much the rough results of inconclusive experiments, as any prices can be.

And this long analysis proves so plainly, that it would be tedious to show it again, that the free movement of capital from employment to employment within a nation, and the consequent strong tendency to an equality of profits there, are ideals daily becoming truer as competition increases and capital grows, that all the hindrances are gradually diminishing, all the incentives enhancing, and all the instruments becoming keener, quicker, and more powerful.

But it is most important to observe that this ideal of English Political Economy is not, like most of its ideals, an ultimate one. In fact the "great commerce" has already gone beyond it; we can already distinctly foresee a time when that commerce will have merged it in something larger. English Political Economy, as we know, says that capital fluctuates from trade to trade within a nation, and it adds that capital will not as a rule migrate beyond that nation. "Feelings," says Ricardo, " which I should be sorry to see weakened, induced most men of property to be satisfied with a low rate of profits in their own country, rather than seek a more advantageous employment for their wealth in foreign nations." But these feelings are being weakened every day. A class of cosmopolitan capitalists has grown up which scarcely feels them at all. When Ricardo wrote, trade of the modern magnitude was new: long wars had separated most nations from most others, and especially had isolated England in habit and in feeling. Ricardo framed, and others have continued, a theory of foreign trade in which each nation is bounded by a ring-fence, through which capital cannot pass in or out. But the present state of things is far less simple, and much of that theory must be remodelled. The truth is that the three great instruments for transferring capital within a nation, whose

operation we have analysed, have begun to operate on the largest scale between nations. The "loan fund," the first and most powerful of these, does so most strikingly. Whenever the English money market is bare of cash it can at once obtain it by raising the rate of interest. That is to say, it can borrow money to the extent of millions at any moment to meet its occasions: or what is the same thing, can call in loans of its own. Other nations can do so too, each in proportion to its credit and its wealth—though none so quickly as England, on account of our superiority in these things. A cosmopolitan loan fund exists, which runs everywhere as it is wanted, and as the rate of interest tempts it.

A new commodity, one of the greatest growths of recent times, is used to aid these operations. The "securities" of all well-known countries, their national debts, their railway shares, and so on (a kind of properties peculiar to the last two centuries, and increasing now most rapidly), are dealt in through Europe on every Stock Exchange. If the rate of interest rises in any one country the price of such securities falls; foreign countries come in and buy them; they are sent abroad and their purchase-money comes here. Such interest-bearing documents are a sort of national "notes of hand" which a country puts out when it is poor, and buys back when it is rich.

The mode in which the indemnity from France to Germany was paid is the most striking instance of this which ever occurred in the world. The sum of £200,000,000 was the largest ever paid by one set of persons to another, upon a single contract, since the system of payments began. Without a great lending apparatus such an operation could not have been effected. The resources of one nation, as nations now are, would not have been equal to it. In fact it was the international loan fund which did the business. "We may say," M. Say states in his official report, "that all the great banking-houses of Europe have concurred in this operation, and it is sufficient to show the extent and the magnitude of it to say that the number of houses which signed or concurred in the arrangement was fifty-five, and that many of them represented syndicates of bankers, so that the actual number concerned was far more considerable." "The concen-

tration," he adds, "of the effects of all the banks of Europe produced results of an unhoped-for magnitude. All other business of a similar nature was almost suspended for a time, while the capital of all the private banks, and of all their friends, co-operated in the success of the French loans, and in the transmission of the money lent from country to country. This was a new fact in the economic history of Europe, and we should attach peculiar importance to it." The magnitude of it as a single transaction was indeed very new; but it is only a magnificent instance of what incessantly happens; and the commonness of similar small transactions, and the amount of them when added together, are even more remarkable and even more important than the size of this one; and similar operations of the international "loan fund" are going on constantly, though on a far less scale.

We must not, however, fancy that this puts all countries on a level, as far as capital is concerned, because it can be attracted from one to another. On the contrary, there will always tend to be a fixed difference between two kinds of countries. The old country, where capital accumulates, will always, on an average, have it cheaper than the new country, which has saved little, and can employ any quantity. The Americans in the Mississippi Valley are naturally a borrowing community, and the English at home are naturally lenders. And the rate of interest in the lending country will of course be less than that in the borrowing country. We see approaches —distant approaches even yet, but still distinct approaches— to a time at which all civilised and industrial countries will be able to obtain a proportionate share of the international loan fund, and will differ only in the rate they have to pay for it.

The "speculative fund" is also becoming common to all countries, and it is the English who have taken the lead, because they have more money, more practical adaptation to circumstances, and more industrial courage than other nations. Some nations, no doubt, have as much or more of one of these singly, but none have as much of the efficiency which is the combined result of all three. The way in which continental railways—the early ones especially, when the idea was novel

—were made by English contractors is an example of this. When Mr. Brassey, the greatest of them, was making the line from Turin to Novara, for the Italian Government, Count Cavour sent one morning for his agent, and said: "We are in a difficulty: the public have subscribed for very few shares, but I am determined to carry out the line, and I want to know if Mr. Brassey will take half the deficiency if the Italian Government will take the other half". Mr. Brassey did so, and thus the railway was made. This is the international speculative fund in action, and the world is filled with its triumphs.

So large, so daring, and indeed often so reckless is this speculative fund, that some persons have imagined that there was nothing which would seem absurd to it. A very little while ago, a scheme—a fraudulent scheme, no doubt—was gravely brought out, for a ship railway over the Isthmus of Panama: the ships were to be lifted upon the line on one side, and lifted off and returned to the ocean on the other. But even the "speculative fund" would not stand that, and the scheme collapsed. Yet the caricature shows the reality; we may use it to remind ourselves how mobile this sort of money is, and how it runs from country to country like beads of quicksilver.

Young men also now transfer their capital from country to country with a rapidity formerly unknown. In Europe perhaps the Germans are most eminent in so doing. Their better school education, their better-trained habits of learning modern languages, and their readiness to bear the many privations of a residence among foreigners, have gained them a prominence certainly over the English and the French, perhaps above all other nations. But taking the world as a whole the English have a vast superiority. They have more capital to transfer, and their language is the language of the great commerce everywhere, and tends to become so more and more. More transactions of the "cosmopolitan speculative fund" are arranged in English, probably, than in all the other languages of the world put together; not only because of the wealth and influence of mere England, though that is not small, but because of the wealth and influence of the other States which speak that language also, the United States, our colonies, and British India,

which uses it mostly for its largest trade. The number of English commercial houses all over the world is immense, and of American very many, and yearly a vast number of young Englishmen are sent out to join them. The pay is high, the prospect good, and insular as we are thought to be (and in some respects we are so most mischievously), the emigration of young men with English capital, and to manage English capital, is one of the great instruments of world-wide trade and one of the binding forces of the future.

In this way the same instruments which diffused capital through a nation are gradually diffusing it among nations. And the effect of this will be in the end much to simplify the problems of international trade. But for the present, as is commonly the case with incipient causes whose effect is incomplete, it complicates all it touches. We still have to consider, after the manner Ricardo began, international trade as one between two or more limits which do not interchange their compound capitals, and then to consider how much the conclusions so drawn are modified by new circumstances and new causes. And as even when conceived in Ricardo's comparatively simple manner, international trade, as Mr. Mill justly said, and as the readers of his discussion on it well know, is an excessively difficult subject of inquiry, we may expect to find many parts of it very hard indeed to reduce to anything like simplicity when new encumbrances are added. The popular discussion of the subject tends to conceal its difficulties, and indeed is mostly conducted by those who do not see them. Nothing is commoner than to see statements on it put forth as axioms which it would take half a book really to prove or disprove. But with the soundness or unsoundness of such arguments I have at present nothing to do. The object of these papers is not to examine the edifice of our English Political Economy, but to define its basis. Nothing but unreality can come of it till we know when and how far its first assertions are true in matter of fact, and when and how far they are not.

THE PRELIMINARIES OF POLITICAL ECONOMY.[1]

Adam Smith began the *Wealth of Nations* about 1773, and finished it in 1776; and as our modern Political Economy really begins from that time, we may fairly say that it is now a hundred years old.[2] In that century, especially in England, its career has been most remarkable. No form of philosophical speculation (some theologies excepted, which are not comparable) has ever had half or a thousandth part of the influence upon life and practice; no abstract doctrine was ever half as much quoted or half as much acted on. The whole legislation of England as to trade has been changed by the philosophy of trade, and the life of almost every one in England is, in consequence, different and better. Other countries, it is true, have not equally followed this teaching, but they have continually, if not equally, discussed it. The highest class of cultivated intellects is in every civilised country more or less affected by it. When a little while ago M. Thiers began to talk and act in thorough opposition to the whole science, a shiver of wonder ran through Europe; it seemed an anachronism to find so able a mind in the pre-economic period, and a strange survival of extinct error, to hear him expounding the good of all which Political Economy showed to be bad, and the evil of all which Political Economy proved to be good. No kind of political teaching has ever won half as many triumphs, or produced half the effects.

But, nevertheless, the reputation of Political Economy is not altogether satisfactory to the minds of those who most value and prize it. There is not quite the same interest felt for it, or quite the same confidence reposed in it, which there was formerly. A small knot of persons deny its value; a good

[1] It will be obvious that some of the leading ideas of the previous essays are repeated in this. There is, however, so much that is fresh in it, and so much danger of bungling in any attempt to disentangle the fresh matter from what was embodied in the two previous essays, that it has been thought better to run some little risk of repetition rather than to attempt any separation of the old and new by any other hand than the author's.

[2] Written in 1876 or earlier.

many people, though sure they are wrong, are puzzled by them, and do not see how to answer them. Many young men, even studious men, especially those educated abroad, have not studied its best writers, and have but vague views about it. Though victorious, it wants part of the prestige of victory; though rich in results, its credit is not quite as good as on that account it ought to be.

The truth is that the story of Political Economy, if I may so call it, is a curious one in itself; the science is to some extent a new sort of one in the world, and has come to be what it is in a rather strange way. That story could only be fully explained by an exposition of all the science, and an account of all who contributed to it. But I think the main and most valuable part of the truth may be set before those who will read a short description of the science as it now stands, and a rough account of the labours of four great men,[1] who more than any others have made the science what it is, and placed it where it is. The knowledge so given will after all be most imperfect.

Political Economy in its complete form, and as we now have it, is an abstract science, just as statics or dynamics are deductive sciences. And, in consequence, it deals with an unreal and imaginary subject. Just as statics and dynamics—the sciences of theoretical mechanics—deal with perfectly rigid bodies, which nothing will bend or strain; with perfectly elastic planes, from which the rebound is equal to the impact; with a world destitute of friction; with physical materials in short which no one ever expects to find in reality—so Political Economy deals with an immaterial subject, which in the existing world cannot be found either. Political Economy deals not with the entire real man as we know him in fact, but with a simpler, imaginary man—a man answering to a pure definition from which all impairing and conflicting elements have been fined away. The abstract man of this science is engrossed with one desire only—the desire of possessing wealth, not of course that there ever was a being who always acted as that

[1] The essay on J. S. Mill was not written and that on Adam Smith is incomplete.

desire would dictate, any more than anyone thinks there is in nature a world without friction or entirely elastic planes, but because it is found convenient to isolate the effects of this force from all others. The effect of the abstract hypothesis, made on the necessary basis of statics and dynamics, is to enable us to see the effect of the single agent, "pressure," in a simple way and free from the repressing and obscuring conditions which exist in actual nature. And in the same way the use of the primitive assumptions of Political Economy is to show how the greatest of industrial desires—the desire to obtain wealth—would operate, if we consider it as operating, as far as we possibly can, by itself. The maxim of science is simply that of common-sense—simple cases first; begin with seeing how the main force acts when there is as little as possible to impede it, and when you thoroughly comprehend that, add to it in succession the separate effects of each of the encumbering and interfering agencies.

If such a simplification is necessary in physical science where the forces are obvious and few, it must much more be necessary in dealing with the science of society, where the forces are, in comparison, very various and difficult to perceive. In this very science of Political Economy, the first writers endeavoured to deal in a single science with all the causes which produced or impaired wealth—which, as they would have said, "made nations rich or poor". And this was the most natural way of beginning. Almost all science seems to have begun similarly. In each case there was some large palpable fact to be explained—some great pressing problem to be solved. And so here, if you look over the nations of the world, you see at once that one of the greatest contrasts between them is that of comparative wealth or comparative poverty; the palpable fact at the beginning of Political Economy is that the Dutch are rich, and others (the Tyrolese, suppose), poor—that England is a very rich country, and Ireland a very poor country; how then was this difference to be accounted for, and the practical problem—money being an admitted good—to be solved, how far can we make the poor nations rich, and how are we to begin so to do? But considered in this simple and practical way,

the science of Political Economy becomes useless, because of its immense extent. The whole of a man's nature, and the whole of his circumstances, must be reckoned up and reasoned upon before you can explain his comparative wealth or poverty. To explain the difference of industrial conditions between the Tyrol and Holland, you will have, first, to state all the points of difference in religion, in morality, and in inherited character between a Dutchman and a Tyrolese—then state the diversities of their physical condition, and work out, as best you can, the effects of all the contrasts. And still further, if you try to give a universal reason why nations are poor and why nations are rich, you will not be able to arrive at any useful answer. Some will be poor because they have a bad Government; some because they are cooped up on a poor soil; some because they have a religion which disinclines them to make money; some because they have ancient rules, which helped them to make a beginning, but now retard them; some because they have never been able to make that beginning; and many other causes might be given. The problem taken up in that form is indeterminate; why nations are rich or poor depends on the whole intrinsic nature, and all the outward circumstances, of such nations. There is no simpler formula to be discovered, and a science which attempted to find one would of necessity have to deal with the whole of physical science; it would be an account of all "men" and all the earth.

It is on account of its abstract character that Political Economy is often, and justly described, as a science of "tendencies" only; that is, the object of it is to work out and ascertain the result of certain great forces, as if these alone operated, and as if nothing else had any effect in the matter. But as in matter of fact many other forces have an effect, the computed results of the larger isolated forces will never exactly happen; they will only, as it is said, tend more or less to happen; that is, they happen more and more nearly in proportion as the resisting and perturbing causes in each case happen to be less and less.

The very refined nature of the modern science of Political Economy has naturally led to many mistakes about it. The

mere idea of such a science has evidently never crossed the minds of many able writers, and persons who have given but slight consideration to the matter are much puzzled. Analogous sciences of physical subjects are, as has been said, easy to find, but illustrations from them do not tell much where effectual description of Political Economy is most wanted. A science occupied with human things, and professedly with a part of human things profoundly interesting, awakens a great curiosity among multitudes of little cultivation. They begin to think about it, and to read about it, and the better the books they read, the more likely are they to be puzzled by what they find. They know that they are reading words which are constantly used in common life, and about things resembling, at least, those of that life, but nevertheless the reasonings and the conclusions do not seem to belong to real life at all. Such persons know nothing about statics or dynamics; and any attempt to explain the nature of Political Economy by an account of the nature of statics or dynamics, is only explaining *obscurum per obscurius*. As might be expected, the worst offenders are the uncultured moralists. They see all manner of reasonings framed, and of conclusions drawn, apparently about subjects with which morality itself is concerned deeply—about (say) industry and wealth, population and poverty, and they never dream that there is anything peculiar about these conclusions. They apply the "rules of morality" to them at once; they ask: "Is argument B true of good persons? Would not conclusion C augment wickedness?" whereas, in fact, the economic writers under consideration did not mean (and rightly did not mean) to deal with ethics at all. They only evolved a hypothesis; they did not intend that their arguments should be thought to be taken from real life, or that their conclusions should be roughly, and as they stood, applied to real life. They considered not the whole of actual human nature, but only a part of it. They dealt not with man, the moral being, but with man, the money-making animal.

Naturally, too, the cultivators of the abstract science itself (even those who fully understood its peculiar nature) did not

always in practice remember the remoteness to practice of that nature. On the contrary, they rushed forth into the world with hasty recommendations to instant action; whereas the very justification of their reasonings, and the very ground of their axioms, was the necessity of beginning the investigation of the subject in a simple theory, and far away from the complexities of practice and action. But so much are the practical impulses of man stronger than his theoretical tastes, that the cultivators of an abstract science are always in great danger of forgetting its abstract nature; they rush and act on it at once. In the abstract physical sciences there is an effectual penalty. A person who acted on abstract dynamics would soon break his head, but in mental and physical sciences unhappily there are no instant tests of failure. Whatever happens, a man can always argue that he was right; and thus an abstract science of human things is more delicate to handle, and more likely to be misused, than a similar science of external nature.

A sort of uncertainty likewise seems, even in the better-informed minds, to creep over the subject. If it is so remote from practice, they say, how can you test it, and how can you tell that it is true? But this is exactly so also in the corresponding physical sciences. One of the shrewdest observers of intellectual matters of the generation, the late Sir. G. C. Lewis, used to say: "My experience in this office" (he was then Secretary of State for War) "has convinced me that when you come to practice, physics are just as uncertain as metaphysics. The abstract theory of physics is unquestionably much more complete, but if you want to deal with an instance in life, you will always find that there is a 'tension,' or a 'friction,' or some other cause, which is not accurately measured, and does not figure in the abstract theory. And this is the reason why, on all such questions, scientific evidence is so conflicting. You can always obtain an eminent engineer on any side to set against an eminent engineer on the other side, because the scientific and certain part of the subject is not the whole, and there still remains an imperfectly explored *residuum* on which there may be different opinions." All this is as

true of Political Economy as of any physical science; its deductions may be incontrovertible, and its results precisely true, whenever its assumptions are true, but these results will be very imperfect guides, wherever those assumptions are impaired by contradictory matter.

On the other side, however, it should also be said that "abstract" Political Economy is not by any means the unnatural thing which, from the account of it on paper, and the description of its difficulties, it would seem to be. Many people on the matter have "talked prose all their lives without knowing it"; many people have given admirable arguments on Political Economy, and have been more or less precisely aware of the difference of their assumptions from those of the real world, though they have never studied the specially abstract science, and could have given no sufficient delineation of it. The notion of investigating how much money persons would make, who simply wished to make it, and how they would best do so, is a very simple idea. The desire for wealth—using wealth in the largest sense, so as to include not only the means of luxury, but the means of subsistence—is so preponderant in very many minds, that it is very easy, if necessary, to regard it as the sole object. As far as people are what we now always call men of business, money, the thing they look for and the thing they want, is their sole object, and in that sense of the phrase, Political Economy may be fairly called the science of "business".

On that account, in some very large scenes of our present English life, Political Economy is exactly true. The primary assumption on which it rests is precisely realised. On the Stock Exchange everybody does act from a love of money; men come there to make it, and they try to make as much of it as they can. Of Lombard Street the same may be said; the pecuniary phenomena of Lombard Street may be investigated with quite sufficient accuracy, on the assumption that bankers come there only to make money, and when there, make as much of it as they can. All markets are scenes nearly similar; so long as they are at the market all dealers try to make the best bargain they can. As the principal nations of the world at

present are nations of business—commercial nations—and as the mass of men in such nations are mainly occupied in business, it follows that with respect to those nations a simple analysis of the unchecked consequences of the "business motive" will be a near approximation to a large part of their life, though it will not be a perfect account of their complete career, for there is very much also in every nation besides business and besides money—but it will be a useful hint to a predominant characteristic of that career. Having investigated the effects of this principal motive, we may when we please, and as far as it is necessary, investigate the effects of the almost infinite number of the secondary and interfering motives.

As, too, it is at present necessary for all nations to be rich in order to be influential in the world, it follows further, that an account of the commercial motive of action, taken by itself, is, as the world now stands, an analysis of the results of a principal ingredient in the days that are gone by, when poor barbarians, if warlike, were more powerful than rich civilised people. The times are gone by when civilisation enervated energy, or when wealth impeded valour. At present, courage without money is courage without guns; and courage without guns is useless. Political Economy traces, in an abstract way, the effects of the desire to be rich, and nations must nowadays abound in that passion if they are to have much power or much respect in the world.

On the other hand, no intellectual attempt can be more absurd than the attempt to apply the conclusions of our Political Economy to the lives of nations at a non-commercial stage of their existence. A great military nation, based on slavery, like the Romans; a nation bound by fixed customs like so many Oriental nations; tribes in a state of barbarism,—are not guided principally by the commercial spirit. The money-getting element is a most subordinate one in their minds; its effects are very subordinate ones in their lives. As the commercial element is all but necessary to considerable combinations of men, that element will almost always have effects, and usually important effects, in the destiny of these combinations. But only in communities where the commercial

element is the greatest element, will these effects be the greatest. In so far as nations are occupied in "buying and selling," in so far will Political Economy, the exclusive theory of men buying and selling, come out right, and be true of them.

But it will be good as far as it goes, and, though it is not my business to say it, I think it will be the fault of the writer if the curious interest of the facts does not lead many readers to a further study of the subject.

And, though what has been explained is the principal difference between the hypothetical science of Political Economy and the real world, it is by no means the only difference. Just as this science takes an abstract and one-sided view of man, who is one of its subjects, so it also takes an abstract and one-sided view of wealth, which is its other subject. Wealth is infinitely various; as the wants of human nature are almost innumerable, so the kinds of wealth are various. Why men want so many things is a great subject fit for inquiry. Which of them it would be wise for men to want more of, and which of them it would be wise to want less of—are also great subjects equally fit. But with these subjects Political Economy does not deal at all; it leaves the first to the metaphysician, who has to explain, if he can, the origin and the order of human wants; and the second to the moralist, who is to decide, to the best of his ability, which of these tastes are to be encouraged, and when—which to be discouraged, and when. The only peculiarity of wealth with which the economist is concerned is its *differentia specifica*—that which makes it wealth. To do so it must gratify some want of man, or it would not be desirable, or it would not be wealth. But whence that want comes, whether from a low part of man, or from a high, is to the economist immaterial; whether it is a desirable want for man to gratify he cares as little, so long as that gratification does not hurt man as a wealth-producing machine. He regards a pot of beer and a picture, a book of religion and a pack of cards, as all equally "wealth," and therefore, for his purpose, equally worthy of regard. The only division of wealth in his mind is, if I may use the words, the division between sterile and not sterile. Some things will help men to make new

things; some things will induce men to work and make new things; both these classes of things are in the eyes of the economist capital or reproductive. On the other hand, other things have no similar reproductive power; if they were taken out of the world all work would go on with equal efficiency, and as many new things would be produced. And these last are, in the eyes of the economist, unproductive opulence, just as the first were productive capital.

Further, Political Economy makes not only these assumptions, as to the nature of its principal force and as to that of its object, it also makes two as to the physical conditions under which this force acts, and in which this object is supposed to exist. For its own purposes it simplifies, as we have seen, the nature of the actors, and the end of the action; we have now to see that it simplifies also the stage.

Political Economy assumes that land is "limited in quantity and variable in quality". And, taking the whole of human states, this assumption has almost always been true. There has been, in almost all countries, a difficulty in obtaining land; there has scarcely ever been a surplus of it. Still, though this assumption accurately coincides with the usual phenomena of most countries, it does not agree with all the phenomena of them all. On the contrary, in all "new" countries, as they are called, land is exceedingly plentiful. There is practically no difficulty in procuring it; in the valley of the Mississippi as much of the best land as any one wants can, without serious impediment, be obtained. No doubt such land is farther off from the best markets than most occupied land of a like kind. But in the present state of the arts such a difference in distance presents no serious difficulty. The construction even of a short railway will open up an entire district, and make its produce as available in the market as that of much land long before cultivated. In new countries it can hardly be said that this assumption of Political Economy is at all the truth; it is rather the opposite of the truth. And accordingly the doctrines of abstract Political Economy must not be applied to such countries roughly, and without previous re-examination. One of the primitive assumptions not being

true, we must be careful to reinvestigate and see whether any particular deduction which we wish to use, is, or is not, impaired—is, or is not, in consequence, untrue.

At first sight it would seem that this limitation of abstract Political Economy would exclude it from much of the real world. New countries, one would imagine, would be among the most common of countries; the human race has always been wandering, and must have been always reaching new countries. But, in truth, this limitation scarcely makes any new exclusion. The nature of the "man" who first occupied new countries did not "conform" to the standard of economic man; the being of reality was not the being of the hypothesis. The first men, all researches justify us in assuming, nearly approached in nature to the present savage man. They had not probably as many curious customs or so many debasing superstitions; they had not so many ingrained vices. But they had as little intellectual development, and as little knowledge of material things; they were ignorant of the "calendar"; they could with difficulty count more than five; they could just make a few weapons of war; they could just construct some sort of shed that would serve for a dwelling; but they could not make any of the articles which we now call "wealth"; and they would not have appreciated such things. The desire, so strong in civilised man, for wealth, has been excited in him by the experience of ages, and has been transmitted to him by inheritance. If you take a present savage, even of a high type, he will find the life of cities, the life of wealth, *par excellence*, scarcely tolerable. There is a well-known story of one savage, who, after living some forty or fifty years in a cultivated world, in his old age returned to die as a barbarian, saying "that civilisation was so much trouble he could bear it no longer". The first occupiers of most countries were not men eager for complex wealth; they cared only for a bare subsistence—and then to kill and eat one another.

Many ages, indeed, have always intervened between the first settlement of any country, and the rise of a strong and independent mercantile element, before the time at which the

first assumption of Political Economy was at all satisfied in it. During that time such countries commenced a kind of civilisation, but it was a very different kind of civilisation from the predominantly commercial; it was in general ruled by fixed customs, as most of the East is now; it did not allow its members to choose their own ends and fix their own existence for themselves; on the contrary, it chose itself those ends and prescribed that existence. And the life so selected gave but little scope to the production of wealth. It was occupied either with an incessant military service, or, in peace, with an equally incessant but semi-religious ritual; the labour for, and the accumulation of, the means of physical comfort were very secondary aims in most of the periods described by history, as they still are in by far the greater part of the present world. For ages after their first colonisation, there was no such absorbing and self-selecting life of trade as Political Economy assumes and requires.

Accordingly, in all the old world—the world as known to the "ancients"—the land has long been occupied, and more or less usefully, more or less fully, by ancient and ineradicable races. In practice they cannot be dispossessed. In all that large part of the world, therefore, land is very scarce; no new-comers can, in fact, obtain much of it. But of late there have been immense territories—"new worlds," to use the usual word—of which this is not true, but where the very reverse is true. Long voyages, impossible to the ancient navigator, have been made possible by modern inventions; and these voyages have discovered large regions inhabited only by men who fade away before the presence of civilised men. In these distant regions man seems to have been a protected, and, therefore, a feeble animal; he had not to submit to the incessant competition which has in the "old world" hardened his frame and seasoned his mind. The diseases which the European can bear, the stimulants in which he delights, the labour for which he lives, are so many poisons to the Australian or American savage. He dies of one or all of them soon after the coming of the European, and he leaves his land vacant. He has never been able to cultivate the land which he calls his, and now he drops

away from it. As a singular result of this strange history, land of the best quality is now procurable in large quantities and with great ease by civilised man. There are now countries not only called "new," because newly discovered, but new, really, because the land in them can now be used, but has never been used before.

As a matter of fact, therefore, the primitive assumption of hypothetical Political Economy, that land is always limited in quantity, as well as variable in quality, coincides well enough with the usual facts of the world. But as the modern exception is one of great present importance to economic nations, as a matter of convenience it has become desirable (though I do not think the desirability has been usually recognised) to annex to Political Economy a full discussion of the nature and the effects of that exception. What has hitherto been the rule, and what has hitherto been the deviation from it, both become clearer when considered side by side.

It may be asked, what is the use of laying down such a rule, if you admit it, and discuss exceptions to it? Why invent a hypothetical hedge when you know that it does not include all you want, and that, therefore, you will be unable to keep within it? The answer is, that the rule was not arbitrarily invented by inward fancy, but suggested by outward facts long predominant. The nearest way to the whole truth is by pursuing the clue which the partial truth first gave.

Political Economy also assumes, as another axiomatic fact as to land, that land throughout the world is for the most part of such fertility that the labour of a cultivator, if he has but a very moderate degree of knowledge and skill, will produce not only a subsistence for himself, but also many other persons. This is so true that it perhaps scarcely needs to be said, but it is of cardinal importance. If it had not been true, the truths of Political Economy and the lives of men would have been altogether different from what they now are. And there is no *a priori* reason—in physics, at least—why the whole earth should not be as a bit of bleak moor, where agriculturists have nothing over, and can but just raise a bare subsistence for themselves. But for the most part there is a surplus, and this surplus is, of

course, increased day by day. By the continual improvement in the arts of agriculture more is produced, and, therefore, there is more over. In old countries the increasing productiveness retards the need of a resort to new soils, and diminishes the evil of it; and in new countries this additional surplus is an extra fund for exportation, and a new means for supplying the wants of those who have stayed at home in the old world.

And, lastly, Political Economy declines to investigate all the causes which determine the rate of increase of man, and assumes an avowedly incomplete and approximate formula as to it. From the very nature of the case, Political Economy must do this. The causes which regulate the increase of mankind are little less than all the causes outward and inward which determine human action. Climate, social customs, political government, inherited race-nature, and other things beside, affect, as we all know, the rate at which population grows. Political Economy would have to discuss half physiology, half the science of government, and half several other sciences too, if it attempted to investigate the real laws which regulate the multiplication of mankind; it has necessarily to make an assumption, to assume as a dictum some approximation to the complex truth, which is at once simple enough to be manageable, and true enough to be useful. Political Economy, therefore, assumes that in any particular society the power of parents to produce children exceeds the power to provide for them in what those parents think sufficient comfort; whence it comes that either parents must not produce all the children that they can, or that, if they do, the standard of comfort in the population must deteriorate, and if the multiplication continue, and the deterioration augment, that the population must die off. There is no difficulty in showing that this assumption embodies accurately enough the ordinary experience of mankind as history records it, and as present facts evince it. An immense "reserve power" of multiplication is certainly to be found in most countries, which is kept down by one obstacle or other, but which is ready to start forward when that obstacle is removed. No two countries can differ more in every respect important for this purpose than Great Britain and British India. Yet both

of them seem to prove the same result. At home, the people of Great Britain increase only at the rate of 1·01 per cent. per annum, and double in fifty-eight years; but it you take the very same population to the Colonies or the United States, it is believed to increase at a much more rapid rate, and to double itself more rapidly, though the relative increase is not nearly so great as is sometimes assumed when no sufficient account is taken of the continual immigration into those countries. The lesson of Hindostan is still more remarkable. The population of the Peninsula is ordinarily supposed not to have augmented since the time of Alexander; there is conclusive evidence that for centuries preceding the English conquest it augmented very slowly, if at all. But now, under the influence of long peace, and long good government, the population is beginning to augment very rapidly. In the North-West Provinces, where the *data* are the best, it is said to be augmenting almost as rapidly as the population of Great Britain. Here, as before, there is an immense acceleration of the rate of multiplication, because a repressive force has, as before, been withdrawn. No one can doubt that the same experiment would have a like result in other cases.

It may be said that out of Europe there is very much unoccupied land, and that even if Europe produced all the people it could, those people might be sent thither. But emigration on such a scale, though imaginable in speculation, is not possible in practice. To create very rapidly new colonies, or to extend very rapidly old ones, requires the migration not only of persons but of capital. You must send thither the means of subsistence if the emigrants are to be subsisted, and the means of employment if they are to be employed, and capital will not go unless you pay it. It must have its regular percentage; and as yet no capital employed in founding colonies—no capital, that is, of a founding company, or of founders as such—has ever paid a farthing. The capital so expended has been a great benefit to the emigrants and to the colony, but it has never paid a dividend; on the contrary, the whole capital has commonly been lost. There are no means by which owners at home can be sure of their interest, nor will very many owners of capital

go themselves to the colonies, only because it would much help the poor there if they did so. Capital must be propelled by self-interest; it cannot be enticed by benevolence. The sudden foundation of a colony so huge as to contain all the *possible* children—all those that might be in excess of those which are —is impossible; the bare idea of it is ridiculous.

Nor, if such a colony could be founded, would it attain the end desired. Cultivated persons in Europe do not produce all the children they might, because they know that if they did, those children could not lead any such life as they themselves lead. They wish their children to have refined habits, and to live by their talents and their mind as they do themselves. But in a colony this is simply impossible. Rude plenty and rough prosperity are common, but a nice refinement is all but impossible. The life of a lady, as we see it in Europe, is in colonies impossible. As sufficient servants cannot be obtained, the mother of the family has in person to see to the manual slavery of the housework as well as look after her children, and this leaves her little opportunity for refined culture. The men are a little better off, but not much. The demand for educated labour in the colonies is exceedingly small; the business of the place is to produce corn or wool—food or raw material; neither skilled labour nor cultured labour is much wanted for that. Almost all our colonies have warned our artisans not to come thither, because there was no room; and as for the legal or other long-trained and costly mental labour of the old world, there is very little opportunity for it. Not only, therefore, is a colony impossible which should be huge enough for all the possible people of the old world, but such a colony, even if possible, would be inadequate; it would only provide for the children of rude people in the manner rude people wish; it would not provide for those of refined people in the least, as refined people wish.

The measured use of the multiplying power which is now practised by all decent people in the existing society of the old world is, therefore, more or less essential to the continuance of such a society. A use of the power without measure would certainly overcrowd such societies with high aims that could

not be satisfied; and, perhaps, also with mouths which could not be fed.

And it is quite consistent with this to believe that such restraint has not at all been uniformly practised in the world, that it has been rather the rare exception, not the common rule. Such restraint has not been practised because it has not been wanted. We have been let into the secret of the matter by the experience of India. The number of the people in British India, as we have seen, was stationary for ages, but now they have begun to augment quickly. And we know the reason why.

And it is, too, quite consistent with this doctrine to believe, as has been lately urged with singular force, that we have as yet much to learn as to the theory of population,—that the numbers of all nations do not augment alike (even under seemingly similar conditions),—that there is the same difference in different families,—that there are a variety of "laws," some that can be clearly indicated, others that can be only suspected, which diminish, or seem to diminish, the multiplying capacity of mankind.

One of these is the increase of intellectual action. Physiologists say, on *a priori* ground, that if you spend nervous force in one direction, you will not have as much to spend in another. The ultimate identity of seemingly different forces is one of the most remarkable discoveries of recent science, and there is every reason to think that it applies here. An incessant action of the brain often seems to diminish the multiplying power. It can hardly be an accident that Shakespeare, Lord Bacon, Milton, Newton, and Locke—perhaps our five greatest Englishmen—had only six children between them.[1] Locke and Newton, it is true, did not marry, but it is not irrational to suspect that the coolness of temperament which kept them single was but another phase of the same fundamental fact. But the doctrine of abstract physiology must be applied with caution; it only says that of any particular total of nervous force, what is expended in one way will not remain to be expended in another;

[1] There may be some doubt as to Newton and Shakespeare, but this is the number as far as it can be authenticated.

in any given case, to use the well-known phrase, "what is gained in children will be lost in mind"; but all cases are not alike. The nervous power of A may be fifty times that of C, and, therefore, he may do five times more brain-work than C, and also have five times his children. And, in fact, Mr. Galton finds that English judges—a strongly intellectual race as a whole—have as many children as other people. And there are some other limiting observations which might be made on the subject. Still, on the whole there seems to be a tendency in the absorbing action of intellectual power to have this particular effect, and abstract science teaches that we should expect it.

The same remark, with some limitations, is probably also applicable to women. Hardly any one who observes can doubt that women of much mind and fine nerves, as a rule, seem not so likely to have children, or, at least, not to have so many children as others. Here, too, as with men, the whole vital force in one case often may be, and often will be, different from that force in another, and, therefore, particular women may be up to the average, or even be remarkable in both ways. But still, on the whole, the existence of the tendency seems clear. And it is curiously like a similar force at the other end of the social scale. Mr. Wallace, one of the most competent of living observers, says that the increase of the population in savage tribes is much retarded by the exhausting labour of their women. And it will be a curious cycle if, as is likely in the latest civilisation, the same preventive check should again become a powerful one.

Another force which may be strongly suspected, if it cannot be quite proved, is the tendency of disheartened races and of dispirited families to die out and disappear. This force would seem to be much the same as that which operates on all wild animals when in confinement. The richest food may be given to such animals, the greatest care taken of them, and their apparent health may seem to be as good as possible, and yet they will not breed. Now all such animals are dispirited for want of the excitement of a wild life, and this may be the reason of the change in their multiplying power; at any rate,

in the case of men, close observers of the dying savage races seem to think that often the mind has something to do with it. The New Zealander says that "as the English rat has supplanted the Maori rat, so the English 'man' will supplant the Maori 'man'". He looks on the extinction of his race as a fixed fate, and, in consequence, his spirits fall, his mind loses some of its tone, and his constitution some of its vigour. In civilised life particular families sometimes seem to droop and die away, though it is not possible to set down the cases exactly in figures. This is analogous to what Dr. Maudsley tells us he has observed of anxiety.

All these seem to be traces of new laws which already diminish, and in future times may still more limit, the multiplying power of mankind; but the fullest acknowledgment of them does not contradict the primary assumption made by abstract Political Economy. It will still remain true, at present, that if all people had as many children as they could, they could not provide for them as they think they ought—perhaps could not provide for them at all. Nor is it easy to imagine a future time when causes such as these should have so exceedingly diminished the sexual feelings as to make voluntary restraint of them needless. Those feelings certainly are incredibly strong now, in comparison with the forces which it is thought will hereafter supplant them. It is easy to believe that the necessity for voluntary restraint should be diminished, but it is not easy even to imagine that this necessity should be extinguished.

In the same way this primary axiom would not be impaired if it could be proved that aristocracies, as such, tend to have fewer children than other classes. Aristocracies are so small a fraction of mankind that the particular rate of their increase is not important enough to alter much the rate of increase of mankind, or even of a nation as a whole. But though this tendency of aristocracies has often been imagined, it has never been proved, and, indeed, it never will be, for it can be easily disproved. The most obvious and conclusive fact against it is that the English aristocracy have more children than the average of Englishmen. A common ob-

server of society would, indeed, expect to find this. He would remember that the peers now differ very little from the rest of the English gentry; that the English gentry are, as a rule, healthy and not dissipated men; that peers in general are married early. All these characteristics make them likely to have more children than other people, and, in fact, they have more. The theory that aristocracies of necessity diminish in number fails in this case even ludicrously, for that theory attributes to the persons it selects a deficiency in the very particulars in which they were likely to excel, and do excel.

But though this assumption as to the multiplying power of the people is true of by far the greater part of the world, and of most ages, it is not true of all the world or of all ages. Like the other primitive axiom of Political Economy as to land, it fails where "new" countries are occupied by old races. I have already spoken of the strange chance which has unpeopled so great a part of the world just when civilised people wanted to go there. It is strange to think how different would have been the fate of this and of coming generations, if America and Australia had possessed imperfect but thickly populated civilisations, like those of China and of India. In climate, and in all external circumstances, America seems as fit for an early civilisation as India. Happily, however, it did not possess one, nor did Australia. There is nothing there now left to cumber the ground. A race rich in the arts of civilisation is thus placed in a country rich in unowned but fertile land. And in these countries there is no check on population. Those who can live there—who are the kind of people that can bear the necessary rudeness and can live there —can multiply as fast as they like; they will be able to support their children in the rough comfort of such countries; those children will not be in the least likely to die off from want or from disease; on the contrary, they will be as likely to live as any children of the human race. The possible *maximum* of multiplication is there reached, and yet none of the multipliers are deteriorated in the scale of the life, or in any of their circumstances.

And it is necessary to take most careful account of this

exceptional case, because it vitally affects the present life of present commercial nations, to which Political Economy is meant to be an approximation. The existence of those nations is vitally affected by the results of this exception, and therefore those results must not be neglected. It follows from those results that Political Economy is not the "dismal science" which it was thought to be years ago, and which many people still imagine it to be. It does not teach that of necessity there will be, as time goes on, a greater and greater difficulty in providing for the increase of mankind. It assumes as an indisputable fact, a present difficulty, but it does not assume, or say, that this difficulty will increase. That augmentation of difficulty will not arise, first, because some of the inhabitants of old countries, can emigrate to new countries, where people may increase as fast as they can; secondly, because those emigrants produce more than they want in bare subsistence, and can send home a surplus to those who remain behind; thirdly, because even in the old countries the growing improvement in the arts of production is likely, at least, to counterbalance the inevitable difficulty of a gradual resort to less favoured and fertile soils.

This short explanation will, I think, be enough to give a rude idea of the science of Political Economy in its present form. If I were writing a professed book on the science, there would be much more to be said on the subject. But I hope what has been said will be enough to make plain the rest of this book. I am to speak of the creators of Political Economy, and to criticise them, and, unless as much as this had been said, the necessary considerations could scarcely have been lucidly explained.

ADAM SMITH AND OUR MODERN ECONOMY.

I.

If we compare Adam Smith's conception of Political Economy with that to which we are now used, the most striking point is that he never seems aware that he is dealing with what we should call an abstract science at all. *The Wealth of*

Nations does not deal, as do our modern books, with a fictitious human being hypothetically simplified, but with the actual concrete men who live and move. It is concerned with Greeks and Romans, the nations of the middle ages, the Scotch and the English, and never diverges into the abstract world. Considering the natural progress of opulence as an item in greater studies, as part of the natural growth of human civilisation, Adam Smith always thought how it had been affected by human nature, taken as a whole.

Adam Smith approximates to our modern Political Economist, because his conception of human nature is so limited. It has been justly said that he thought "there was a Scotchman inside every man". His *Theory of Moral Sentiment*, indeed, somewhat differs in tone, but all through *The Wealth of Nations*, the desire of man to promote his pecuniary interest is treated as far more universally intense, and his willingness to labour for that interest as far more eager and far more commonly diffused, than experience shows them to be. Modern economists, instructed by a larger experience, well know that the force of which their science treats is neither so potent nor so isolated as Adam Smith thought. They consistently advance as an assumption what he more or less assumes as a fact.

Perhaps a little unfairly, nothing has more conduced to the unpopularity of modern political economists, and to the comparative fame of Adam Smith, than this superiority of their view over his. Of course Adam Smith was infinitely too sensible a man to treat the desire to attain wealth as the sole source of human action. He much overrated its sphere and exaggerated its effect, but he was well aware that there was much else in human nature besides. As a considerate and careful observer of mankind, he could not help being aware of it. Accordingly he often introduces references to other motives, and describes at length and in an interesting way what we should now consider non-economic phenomena ; and, therefore, he *is* more intelligible than modern economists, and seems to be more practical. But in reality he looks as if he were more practical, only because his analysis is less complete. He speaks

as if he were dealing with all the facts of human nature, when he is not; modern economists know their own limitations; they would no more undertake to prescribe for the real world, than a man in green spectacles would undertake to describe the colours of a landscape. But the mass of mankind have a difficulty in understanding this. They think Adam Smith practical because he seems to deal with all the real facts of man's life, though he actually exaggerates some, and often omits others; but they think modern economists unpractical because they have taken the most business-like step towards real practice—that of dealing with things one at a time.

And it is precisely this singular position of Adam Smith which has given him his peculiar usefulness. He fulfilled two functions. On the one hand, he prepared the way for, though he did not found, the abstract science of Political Economy. The conception of human nature which underlies *The Wealth of Nations* is near enough to the fictitious man of recent economic science to make its reasonings often approximate to, and sometimes coincide with, those which the stoutest of modern economists might use. The philosophical and conscious approximation which we now use has been gradually framed by the continual purification of the rough and vague idea which he employed. In this way Adam Smith is the legitimate progenitor of Ricardo and of Mill. Their books would not have been written in the least as they now are, most likely would never have been written at all, unless Adam Smith, or some similar writer, had written as he has. But, on the other hand, Adam Smith is the beginner of a great practical movement too. His partial conception of human nature is near enough to the entire real truth of it to have been assumed as such in his own mind, and to be easily accepted as such by the multitude of readers. When he writes, he writes about what interests most practical men in a manner which every one will like who is able to follow any sort of written reasoning; and in his time there was a great deal of most important new truth, which most practical people were willing to learn, and which he was desirous to teach. It is difficult for a modern Englishman, to whom "Free Trade" is an accepted

maxim of tedious orthodoxy, to remember sufficiently that a hundred years ago it was a heresy and a paradox. The whole commercial legislation of the world was framed on the doctrines of Protection; all financiers held them, and the practical men of the world were fixed in the belief of them. "I avow," says Monsieur Mollien, the wise Finance Minister of the first Napoleon, "to the shame of my first instructors," the previous officials of France, "that it was the book of Adam Smith, then so little known, but which was already decried by the administrators with whom I had served, which taught me better to appreciate the multitude of points at which public finance touches every family, and which raised judges of it in every household." There were many Free Traders before Adam Smith, both writers and men of business, but it is only in the antiquarian sense in which there were "poets before Homer, and kings before Agamemnon". There was no great practical teacher of the new doctrine; no one who could bring it home to the mass of men; who connected it in a plain emphatic way with the history of the past and with the facts of the present; who made men feel that it was not a mere "book theory," but a thing which might be, and ought to be, real. And thus (by a good fortune such as has hardly happened to any other writer) Adam Smith is the true parent of Mr. Cobden and the Anti-Corn Law League, as well as of Ricardo and of accurate Political Economy. His writings are semi-concrete, seeming to be quite so, and, therefore, they have been the beginning of two great movements, one in the actual, and the other in the abstract world.

Probably both these happy chances would have amazed Adam Smith, if he could have been told of them. As we have seen, the last way in which he regarded Political Economy was as a separate and confined speciality; he came upon it as an inseparable part of the development of all things, and it was in that vast connection that he habitually considered it. The peculiar mode of treating the subject which we now have, had never occurred to him. And the idea of his being the teacher, who more than any one else caused Free Trade to be accepted as the cardinal doctrine of English policy, would have

been quite as strange to him. He has put on record his feeling: "To expect, indeed, that the freedom of trade should ever be entirely restored in Great Britain, is as absurd as to expect that an Oceania or Utopia should ever be established in it. Not only the prejudices of the public, but what is much more unconquerable, the private interests of many individuals, irresistibly oppose it. Were the officers of the army to oppose with the same zeal and unanimity any reduction in the number of forces, with which master manufacturers set themselves against every law that is likely to increase the number of their rivals in the home market; were the former to animate their soldiers, in the same manner as the latter inflame their workmen, to attack with violence and outrage the proposers of any such regulation; to attempt to reduce the army would be as dangerous as it has now become to attempt to diminish in any respect the monopoly which our manufacturers have obtained against us. This monopoly has so much increased the number of some particular tribes of them, that, like an overgrown standing army, they have become formidable to the Government, and upon many occasions intimidate the legislature. The member of Parliament who supports every proposal for strengthening this monopoly is sure to acquire not only the reputation of understanding trade, but great popularity and influence with an order of men whose numbers and wealth render them of great importance. If he opposes them, on the contrary, and still more if he has authority enough to be able to thwart them, neither the most acknowledged probity, nor the highest rank, nor the greatest public services can protect him from the most infamous abuse and detraction, from personal insults, nor sometimes from real danger, arising from the insolent outrage of furious and disappointed monopolists."

Yet, in fact, the "Utopia" of Free Trade was introduced into England by the exertions of the "master manufacturers," and those who advocated it, and who were "thought to understand trade," said that they had learned the doctrines they were inculcating from *The Wealth of Nations* above and beyond every other book.

II.

If we look at *The Wealth of Nations* as if it were a book of modern Political Economy, we should ask four questions about it.

1. What, by its teaching, is the cause which makes one thing exchange for more or less of other things?

2. What are the laws under which that cause acts in producing these things?—the full reply to which gives the laws of population and growth of capital.

3. If it turns out (as of course it does) that these things are produced by the co-operation of many people, what settles the share of each of those people in those things, or in their proceeds? The answer to this question gives what are called the laws of distribution.

4. If this co-operation costs something (as of course it does), like all other co-operations, who is to pay that cost, and how is it to be levied? The reply to this inquiry is the theory of taxation.

To persons who have not been much accustomed to think of these subjects, these questions may seem a little strange. They will be apt to think that I ought to have spoken of the laws of wealth and of its production and distribution, rather than of the causes which make one thing exchange for more or less of other things, and of the consequent laws. But the truth is that for the purposes of Political Economy, "wealth" means that which possesses exchange value, and on that ground Archbishop Whately wanted to call the science "catallactics". The air and the sunlight—the riches of nature—are nothing in Political Economy, because every one can have them, and therefore no one will give anything for them. "Wealth" is not such for economic purposes, unless it is scarce and transferable, and so desirable that some one is anxious to give something else for it. The business of the science is not with the general bounty of nature to all men, but with the privileged possessions—bodily and mental powers included—which some have, and which others have not.

Unluckily when we come to inquire what makes these

things exchange for more or less of value, one among another, we find ourselves in the middle of a question which involves many and difficult elements, and which requires delicate handling. Most of the difficulties which are felt in reflecting on the entire subject are owing to a deficient conception of the primitive ingredient. And this will surprise no one conversant with the history of science, for most errors in it have been introduced at the beginning, just as the questions which a child is apt to ask are in general the ones which it is hardest to answer.

It is usual to begin treating the subject by supposing a state of barter, and this is in principle quite right, for "money" is a peculiar commodity which requires explanation, and the simplest cases of exchange take place without it. But it is apt to be forgotten that a state of barter is not a very easy thing fully to imagine. The very simplicity which renders it useful in speculation, makes it more and more unlike our present complex experience. Happily, though barter has died out of the adult life of civilised communities, there remains an age when we, most of us, had something to do with it. To schoolboys money is always a scarce and often a brief possession, and they are obliged to eke out the want by simpler expedients. The memories of most of us may help them in the matter, though their present life certainly will not.

Suppose, then, that one boy at school has a ham sent him from home (those who object to trivial illustrations must be sent back to the Platonic Socrates to learn that they are of the most special use in the most difficult matters, and be set to read the history of philosophy that they may learn what becomes of the pomposity which neglects them), and suppose that another boy has cake, and that each has more of his own than he cares for and lacks something of the other, what are the proportions in which they will exchange? If boy A likes his own ham scarcely at all, or not very much, and if he is very fond of cake, he will be ready to barter a great deal of it against a little of boy B's cake; and if boy B is fond of cake too and does not care so much for ham, cake will be at a premium, and a very little of it will go a great way in the transaction, especially if the cake is a small one and the ham a big one; but if, on the

contrary, both boys care much for ham, and neither much for cake, and also the ham be small and the cake large, then the ham will be at a premium, the cake at a discount, and both sides of the exchange will be altered. The use of this simplest of all cases is that you see the inevitable complexity of, and that you cannot artificially simplify, the subject. There are in every exchange, as we here see, no less than six elements which more or less affect it in general; first, the quantities of the two commodities, and next, two feelings in each exchanger—first, his craving for the commodity of the other, and secondly, his liking or disinclination for his own. In every transaction, small or great, you will be liable to blunder unless you consider all six.

The introduction of money introduces in this respect no new element. The inseparable use of that incessant expedient is that which ingrains into civilised life the abstract idea of a "purchasing power"; of a thing which, when possessed, will obtain all other things. And independently of the hand-to-hand use of money, this idea of it as a universal equivalent, with the consequent means of counting, has been incalculably beneficial to civilisation. But into a mere single interchange its use introduces nothing new. Money, in that aspect, is simply a desirable commodity; it often happens to be particularly coveted, but at other times, in comparison with some simpler and more essential things, its worth is insignificant.

Nor do the common bargains of commerce contain any additional ingredient. There are always six things to be considered. Suppose that a holder of £10,000 "Peruvians" wants to sell them on the London Exchange, the price he will get will obviously vary with the quantity of Peruvian stock there is about in the market, and the quantity of money which the owners are ready to invest in it; but also according to four other things.

First,—Whether he is anxious for money or not; if he has a bill to meet to-morrow morning and must have money, the chances are great that some one will take advantage of his necessities, and he will have to take less; if, on the other hand, he be a rich man—a strong holder, as the phrase is—he will

say, "Ah, if I cannot get my price to-day I will wait till to-morrow," and so he will get a better price.

Secondly,—Even if he is not violently in want of money, the price will vary according as he thinks "Peruvians" more or less likely to fall or not. If he thinks them a declining or "treacherous" stock, he will be anxious to get rid of them, and will be less difficult as to price; if he had private and peculiar knowledge that Peru was about to imitate Spain and to stop payment the next day, he will sell at once for any price that those not in the secret would be ready to give him. In these two ways the bargain would be influenced by the mental state of the seller, and it will be influenced in two ways also by the mental state of the buyer.

Thirdly,—If the buyer is desirous of the article, because he thinks it will get rapidly up, he of course will give more than if he thinks it is likely to be stationary, or even for a time to fall. He will "discount" the prospect of improvement, as the market phrase has it.

Fourthly,—If he can make little of his money in other ways, say, if it is earning 2 per cent., he will be ready to put it into "Peruvians" at a much lower price than he would if he could get 7 per cent. for it in other ways. If there were a crisis, and money had risen in value to 10 per cent., he would hardly put it out of his own control by buying "Peruvians" with it, at any price, no matter how low. He would prize the money at such a time, because in a general disturbance it may often be used to untold advantage, or may save its owner from ruin.

In the bargains in all other commodities the same considerations have to be taken account of, and no others. A bargain in foreign stocks or railway shares is in essentials the same as one in corn or cheese. The same six elements are in each case to be thought of, and no others.

Every transaction in commerce is in a legal sense separate; it is a contract in which one side engages to do certain things in return for certain other things which are to be done by the other side. But in a practical sense most important commercial phenomena are interlaced one with another. The

feelings of each seller as to parting, or not parting, with his goods, are mainly caused—or much caused at any rate—by the amount of goods which other dealers have now in or are about to bring to market, and also by what he imagines to be their "strength" or "weakness"; that is, their more or less of inclination to part with their goods or to retain them in every market, and a most able living economist[1] has justly observed that nowadays this is what we mean by "a market"; the estimate formed of all which the dealers have, and of all which they expect to have, is all pretty much collected into one corporate opinion, which floats variously about upon the lips of men, though often it would not be easy to condense into a formula, or to bring it home on evidence to any single speaker. For the most part it is an imbibed, not a discovered, fact, that the market is "dull, and likely to be dull," "lively, and likely to be so". These are in part truths of observation, but in part also accredited hypotheses. A market knows its own present state, and anticipates its own future, by signs which an outside observer would not see, and by the unconscious contribution of many minds to a daily growing opinion. A market in the higher commercial sense of the word—in the sense in which we speak of the "money market"—does not mean, as it once did, a place where goods were exposed, but an historical result of the proximity of traders, a set of dealers cognisant of one another, and acquainted more or less with each other's position, and each other's intentions.

It must not be supposed, however, that the process of bargain-making approaches in general to a statistical calculation. A person proposing to buy, looks at a trade circular to see what the writer of it thinks the price is; he asks the broker what price has been given, what offered, what refused; he inquires whether holders are strong or weak, whether they are under supplied or over supplied; he asks if other buyers are many or few, whether they are eager or indifferent, whether they have much money, or whether they have little; and out of these inquiries he forms an idea of the price at which he is

[1] Professor Jevons' *Theory of Political Economy*, page 84.

likely to buy the commodities. A person intending to sell a commodity forms in like manner a notion of the price he is likely to obtain for it; on the surface the appearance is often frivolous enough. Many persons go about inquiring, "In what state do you think the market, sir?" and getting, as it would seem, not much reply in return. But underneath there are some of the keenest anxieties and most ardent hopes of human nature. A large quantity of goods is on the market, by selling which many holders must live, if they live at all. A great, though uncertain, quantity of money is in the market, which the owners mean to live by investing. The main interest of many lives is at stake, and the subsistence of many families, little as on the outside the market looks so.

On the whole, then, we may sum the matter up thus:—

Firstly,—That a bargain will be struck when four conditions are satisfied, *viz.*:—

"When the seller thinks he cannot obtain more from the buyer with whom he is dealing, or from any other;

"When he is sufficiently desirous to sell his article, or enough in want of money to take that price;

"When the buyer thinks that he cannot obtain the article for less, either from that seller or from any one else;

"When he is so eager for the article, or so anxious to invest his money, as to give it."

Secondly,—That every bargain is a datum for other bargains, and influences the opinions on which they are based.

Thirdly,—That the average price of such bargains is the market price.

Fourthly,—That the main elements of market price are those which prevail in most bargains, *viz.*, the actual quantity of the article in the market, the quantity of money actually ready to be invested in it, and the average strength with which the wish to hold the article, the wish to acquire it, the wish to obtain money, and the wish to invest it, operate through the whole class of buyers and of sellers.

These formulæ may seem complex, but I do not think that

any of them can be left out or shortened except by omitting necessary facts.[1]

An attempt is, indeed, commonly made to abbreviate these rules. Very much the same is meant by the common phrase that market price is determined by "supply and demand," which is a good phrase enough when you know how to manage it. But the effect of using so few words for so much meaning is that they are continually being used in various senses; no one signification of the terms can be stretched over the whole matter. And in consequence a literature has come to exist discussing their ambiguities. The most obvious objection is that, if the words are taken in their natural sense, they imply a relation between two things of wholly different natures; demand is a desire in the mind, supply a quantity of matter; how then can there be an equality between them? And even when demand is used in the best sense,[2] for the quantity of money or purchasing power, the formula has the defect of mentioning only the two quantities of the changing commodities, of not saying that they are only estimates of quantities, and of not warning those who use it that they must likewise consider the other elements—the four wishes of the two exchangers.

It is most important to be clear upon the matter, because confusion about it has led, and still leads, to many most mischievous fallacies. For example, it has been vigorously argued that "Trades Unions" could not alter the price of labour. "The supply, the number of labourers," it was said, "is the same as before, and also the demand, *viz.*, the quantity of money wanting to buy labour—the two causes being thus identical, the effect cannot be different." But, in fact, a Trades Union establishment at once alters the mental conditions. It turns the labourer, in the Stock Exchange language, from a weak holder into a strong one; it enables him to hold. Before, he must either take the master's terms or starve; now,

[1] See Appendix, Note A on Market Price, page 279.

[2] See the admirable dissertation of Professor Cairnes, *Leading Principles*, pages 17-40. A most ingenious collection of the difficulties of the doctrine of supply and demand as usually stated, will be found in *Thornton on Labour*, book ii. chap. i.

he has money to live, and will often get more, because he can stand out for a good bargain.

The complete view of the facts thus effaces at once the ingrained mistake of the last generation, and it also destroys as quickly a recent error now common. It is imagined that because Trades Unions have sometimes raised wages to some extent, they can raise them, at any rate gradually, to any extent. But we now see the limit of their power. They can only win when the funds of the Union are stronger than the funds of the capitalists; and this will sometimes be so, and sometimes not be so. A clear view of the facts also explains (that which is a difficulty in the ordinary theory) the difference between a speculative market and an ordinary one. So long as it is imagined that market price is determined by the supply of the article in the market, and the money here eager to buy it, it is not possible to explain why two markets in which both these elements coincide should be so different as a dull market and an excited one always are. But as soon as we understand that we have to deal likewise with opinions and with wishes, we see how there is great scope for discrepancy and for mutability.

Again, on another side of the subject, it has been incessantly said that (at all events since the Act of 1844, which limits the power of issue) the Bank of England cannot alter the rate of discount. There exist, it is said, a certain number of bills, and a certain amount of money ready to be invested in bills, and this determines the way in which one will be exchanged for the other. But, in fact, much of such money is held by the Bank of England, and the fact of its being unwilling to lend, inevitably alters "the equation of exchange". The desire of the principal dealers to operate, or not to operate, is a vital element in every market. When you read in the jargon of trade circulars that "yarns are sluggish, and that teas are lively," the palliation for the use of these ridiculous adjectives is that in the facts described there is as much of mental state as of physical supply.

It is in consequence of the extreme importance of these mental elements that in all markets you hear so much of "flying and often concocted rumours". On the Stock Exchange "the

lie of the day," as Dr. Johnson would have called it, always has some influence, because the momentary wishes of sellers to sell, and buyers to buy, are greatly affected by what they hear as to possible wars and revolutions of the nations whose debts they are buying and selling. The best States only care for such rumours at critical instants, but more or less the repute of minor ones lies at the "truth of him that makes it," and their credit is incessantly talked up and talked down much more than they themselves desire.

The league of the moment—"rig," "ring," "syndicate," or "pool," or what not—"one form with many names"—operates in the same way. It is a mental expedient for changing the mental state of the market. By combining, the same persons are able to make the same amount of speech and the same amount of money go farther. They affect opinion more, because they say the same things, and they are more tenacious holders, or more desperate buyers, because they rely one on another.

We see, too, from this analysis why it is that one man is a good seller and another a bad one. A good seller is a good advocate, who acts effectually on the opinions and feelings of persons inclined to deal with him, who makes them think that the article is very excellent, that it is growing very scarce, that it is going to be scarcer, that a great many people are wanting it, that much money is going to be had for it, that the holders in general are anxious not to sell as yet because they believe it will get dearer, that he himself is above all unwilling to part with his article and will do so only as a personal favour. He weakens the judgment and intensifies the desire of his opponent as he wishes.

The requisites of a good buyer are in essentials the same. He also is an advocate, only on the other side. He has to show that the article in question is undesirable, that it is plentiful, that most holders are most anxious to sell it, that few persons, and those with little money, are coming forward to buy it, that though, perhaps, he might himself be induced to buy a little of it, yet it would only be under peculiar circumstances, and as a matter of private feeling. There is, indeed, a com-

mon saying that a good buyer is much rarer than a good seller; and I believe that the Manchester warehouse-keepers, as they are called—that is, the great dealers in underclothing, —great traders, but who do not produce anything, and must therefore both largely buy and sell—give higher salaries to their buyers than to their sellers. But this is only because the buyers are the advocates who have to address the more skilled audience. They buy of a few manufacturers who understand business well, and must, therefore, be careful what they say. The sellers for the firm, who distribute the goods among the country shops, have people of very inferior intelligence to deal with. A few good buyers, therefore, purchase what many less qualified sellers dispose of. But in its essence the business is identical. It consists in exciting desire and in modifying opinion.

It may strike some people that if prices thus depend on casual opinions and on casual desires, it is odd that prices in markets should be so uniform on particular days in particular markets as they really are. But in fact, at ordinary times, these casual opinions and casual desires form a sort of average. The timid seller is emboldened by knowing that others are courageous; the necessitous by knowing that others are strong; the cautious buyer is forced on because he knows that eager ones will outstrip him; the adventurous is restrained because he knows that others have doubts, and so on through the whole subject. In the infancy of trade no doubt there is ample room for great variations. A most graphic observer[1] has said of Oriental markets: "The necessities of a savage are soon satisfied, and unless he belong to a nation civilised enough to live in permanent habitations, and secure from plunder, he cannot accumulate, but is only able to keep what he is actually able to carry about his own person. Thus, the chief at Lake N'gomi told Mr. Andersson that his beads would be of little use, for the women about the place already 'grunted like pigs' under the burden of those that they wore, and which they had received from previous travellers."

In civilised times facts are known, advocacy is weak, and

[1] Galton's *Art of Travel*, under "Presents and Articles for Payment".

prices are usually uniform. But they are not so at a commercial crisis; then, as the phrase goes, prices are very "wide". A necessitous seller must sell, and he pulls down the price for an instant, but if a buyer is stimulated by this, and wants to buy more at the same price, he will find that he cannot do it. There are no more equally necessitous sellers in the market; the rest do not want money for the instant, and will not sell, except at a much higher price. At such a moment, too, skilful people will act on the fears of others. I have heard it said of a bland and delicate operator, who was ultimately very successful, that at critical times "he *encouraged* others to be frightened". And in panics cool heads and strong nerves make much by dealing with weak nerves and hot heads. But in common times the contrary tendencies are subdued to an average. The most anxious seller will depress a good stock but very little, and the most eager will raise it but a little also.

I have been obliged to state the facts carefully, before discussing Adam Smith's doctrine, because I could not otherwise make an attempt to estimate it intelligibly, and I must go on with some further facts also, or even that estimate would be broken and faulty. At a glance it is plain that the doctrine of exchange which I have sketched, cannot be the final theory. It depends on the relative quantity of two things, but as most things can be increased at will by human labour, men have, therefore, in most cases the means of making these quantities what they please, and therefore these quantities cannot be ultimate causes. "Supply and demand" cannot be final regulators of value, for in most cases men can supply what they like, and to finish the subject we must know when they will begin to do so, and when they will leave off.

The first answer to be given to these questions is, that producers who produce in order to receive something in exchange for their products, will go on producing as long as the gain, pleasure, satisfaction (whatever word you choose to use) they receive from that something is a sufficient compensation to them for the *bore* and irksomeness of production, and they will stop producing when it ceases to be sufficient. In an early

state of society it is easy to imagine simple cases of this. In the times of which the Scandinavian "kitchenmiddings" are the only extant vestige, the population lived partly by hunting and partly by fishing; most, I suppose, did both; some confined themselves to that which they did best. In that case a hunter, who only hunted, would work as long as the fish received in exchange seemed to him to repay the trouble of hunting; a fisherman, who only fished, would do the same. The man who tatooed the population would continue to do so as long as the game or the fish he received in return seemed to make it worth his while. The polisher of flint implements or bones would do just the same. The essence of the whole is the exchange of the produce of much labour and very little capital, so long as the labourer thinks what he thus obtains repays him for his labour. And the same thing goes on down to the end of civilisation in a subordinate way. An old woman gathers laver on the sea-shore of Somersetshire as long as any one will give the pittance she expects for it. A diver will bring up pearls as long as any one will give what he thinks is enough to make it worth while to go to the bottom of the sea for them. The primitive form of production still exists, and the primitive estimate of recompense, but in most cases they exist as "survivals" only. In two remarkable instances, of which I shall speak hereafter, they still alter the main tide of commerce. But for the most part the interest of the transactions is principally antiquarian; little money is now made by them, but they are worth thinking of now and then, because they remind us of what once was the only way in which the relative value of commodities was finally determined in the world.

The main part of modern commerce is carried on in a very different manner. It begins at a different point, and ends at a different point. The fundamental principle is, indeed, the same; the determining producer—the person on whose volition it depends whether the article shall be produced or not—goes on so long as he is satisfied with his recompense, and stops when he ceases to be so satisfied. But this determining producer is now not a labourer but a capitalist. In nine hundred and

ninety-nine cases out of every thousand, it is the capitalist and not the labourer who decides whether or not an enterprise shall be commenced, and therefore whether the consequent commodity shall come on the market. He buys his labour just as he buys his raw material; he may calculate wrongly in both cases, he may think he will buy when labour or material is cheaper than it turns out ever to be; but his calculation will be the critical element in the whole business; that which decides whether it shall or shall not be entered upon.

This change has occurred in the organisation of industry, because the new mode of organising it is infinitely more efficient than the old. A body of separate labourers has many of the characteristics of a mob; but one acting under the control of a capitalist has many of those of an army. A capitalist provides his labourers with subsistence, directs each what he shall do and when, and educes the desired result of the whole combination at the proper time, much as a general does. He and his men will live and will produce riches where a mere multitude of labourers will starve. When, in very modern times, it has been endeavoured in schemes of "co-operation" to enable labourers to subsist without dependence on an individual capitalist, it has been necessary, under cloak of the combination, to invent a capitalist in disguise. A common fund subscribed beforehand, an elected board to invest it, a selected manager to combine it, are all refined expedients for doing in a complex way what the single rich capitalists does in a simple way; even yet we do not know how far they can be applied with comparable efficiency. In simpler times the rich man who has much beforehand, buys the labour of his poorer neighbours who have nothing, and directs their power towards results which no one of them could perhaps have conceived, and which a thousand times as many, without his controlling mind, would have been impotent to produce. On one point, however, the point which is most material for the present purpose, the old organisation, or disorganisation, of mere labourers acting separately, and the exact modern industry, where enterprise depends on the *fiat* of the capitalist, are alike; and are so because human nature is alike both in capitalist

and labourer. Neither of them will take much trouble to obtain in one way that which he can obtain with very little trouble in another way. As far as labour can migrate from employment to employment, articles produced by the same labour will exchange for one another. If it were not so, the labourers who worked at the thing which fetched least would be throwing away some of their labour; they would do better to produce something else, and in the end they would do so. In the same way, as far as capital (including the capital which buys labour) can be transferred from employment to employment, things produced with the same amount of capital, in similar times and similar circumstances, exchange one for another. When it is not so, capital tends to go from the pursuit in which it is less profitably employed to those in which it is more so.

As might be expected, the modern organisation is much more perfect in this respect as in most others. Labour always circulates from employment to employment. "Whatever," says Adam Smith, "obstructs the free circulation of labour from one employment to another, obstructs that of stock likewise; the quantity of stock which can be employed in any branch of business depending very much upon that of the labour which can be employed in it. Corporation laws, however, give less obstruction to the free circulation of stock from one place to another than to that of labour. It is everywhere much easier for a wealthy merchant to obtain the privilege of trading in a town corporate, than for a poor artificer to obtain that of working in it. The obstruction which corporation laws give to the free circulation of labour is common, I believe, to every part of Europe. That which is given to it by the poor laws is, so far as I know, peculiar to England. It consists in the difficulty which a poor man finds in obtaining a settlement, or even in being allowed to exercise his industry in any parish but that to which he belongs. It is not the labour of artificers and manufacturers only of which the free circulation is obstructed by corporation laws. The difficulty of obtaining settlements obstructs even that of common labour."

Man is of all pieces of luggage the most difficult to be removed. In general an ill-paid labourer early in life gives hostages to misfortune, he burdens himself with the support of a wife and children; he cannot move, or they would starve. But civilisation has invented an elaborate machinery for holding capital in a transferable form. The basis of this machinery is the invention of money. One of the uses of money is that it is a mode in which capital may be held without loss in what may be called a provisional form. All capital originally comes from production—is, say, so much corn, or tin, or hemp —but if a man holds corn, or any other commodity, he may not be able to exchange it in a little while for so much as he can to-day. Most commodities are in their nature perishable, and most others are liable to depreciation from the change in human desires. But money is always wanted, for it will buy everything; any one who is not sure how he will ultimately employ his capital can hold it in the form of money. This provisional state—this interval of non-employment—is a great security for the substantial equality of equal capitals in equal employments, for it gives capitalists time to look before them and see what they should select because it will yield most, and what they should avoid because it will yield least.

But in this, its elementary form, the machinery for holding capital, so to say, in expectation, has an obvious defect; the capitalists derive no income from it while it is in a state of indecision. "Money is barren," according to the old saying, and whoever holds mere coin will certainly derive no income. But in countries where banking is well developed, the machinery is far more efficient; a man who has capital lying idle can place it with a banker, who, if he will agree to give some notice before he withdraws it, will agree to pay him some interest on it. This interest, as far as it goes, is a source of income during the period of suspended investment, and is something on which the capitalist can subsist without trenching on his capital, and without hurrying to a premature use of it. This capital awaiting investment the banker employs in the same way that he employs the unused balances of people's income, and that is in lending to the trades which are at the moment most profitable,

As I have elsewhere explained: "Political Economists say that capital sets towards the most profitable trades, and that it rapidly leaves the less profitable and non-paying trades. But in ordinary countries this is a slow process, and some persons who want to have ocular demonstration of abstract truths have been inclined to doubt it, because they could not see it. In England, however, the process would be visible enough if you could only see the books of the bill-brokers and the bankers. Their bill cases as a rule are full of the bills drawn in the most profitable trades, and, *cæteris paribus*, in comparison empty of those drawn in the less profitable. If the iron trade ceases to be as profitable as usual, less iron is sold; the fewer the sales the fewer the bills; and in consequence the number of iron bills in Lombard Street is diminished. On the other hand, if in consequence of a bad harvest the corn trade becomes on a sudden profitable, immediately "corn bills" are created in great numbers, and, if good, are discounted in Lombard Street. Thus English capital runs as surely and instantly where it is most wanted, and where there is most to be made of it, as water runs to find its level."

In this way "expectant capital," while it is so expectant, forms part of a fund which is lent now to this trade, and now to that, according as for the moment each trade is more profitable; and at last instructed by reflection, its owner will invest it, other things being equal, in the trade which offers the most for it. In its temporary use it tends to equalise temporary profits; in its permanent use it does so too.

No doubt some callings are naturally pleasant, others unpleasant; some encouraged by opinion, others adverse to it; some easy to learn, some difficult; some easy to enter, others hedged in by tradition and privilege; some abounding in risk, some with little of it. But our principle is not affected by these. It is that, non-pecuniary encouragements and discouragements being reckoned, capitals employed in all trades yield an equal return in equal times.

What that return will be it would be premature here to speak of. It is only necessary to say that it is such as the capitalist will think worth while to invest his capital for, enough,

that is, to compensate him for the inevitable trouble and attendant risk; if it is not enough he will let it continue uninvested at interest, or will eat it up and live on it.

We must carefully bear in mind, too, that the rule that equivalent returns are made to equal capitals in the same times, is only true of employments between which capital fluctuates freely. This is to an almost perfect extent true of employments in this country, and to a great extent, though far from an equal extent, of all employments within their own country. But it is not at all true of employments in different countries; English capital, by far the most locomotive of all capitals, will not go abroad for the same percentage of return that will suffice it at home. A great deal of the capital of all countries—by far the greater part of it everywhere, indeed—could hardly on any terms be tempted abroad. We have arrived, however, at the principle that within the same nation all commodities will tend to be of the same exchangeable value, whose cost of production is identical, and that this cost of production is that which the capitalist expends, and the return for which he is willing to take the pains of expending it.

And this will be enough for our present purpose.

III.

On all these subjects Adam Smith wrote in an extinct world, and one of the objects always before him was to destroy now extinct superstitions. In that age it was still believed, though the belief was dwindling away, that wealth consisted in "money," and that its value was somehow different from that of anything else. As Adam Smith himself describes it: "That wealth consists in money, or in gold and silver, is a popular notion which naturally arises from the double function of money, as the instrument of commerce, and as the measure of value. In consequence of its being the instrument of commerce, when we have money we can more readily obtain whatever else we have occasion for than by means of any other commodity. The great affair, we always find, is to get money. When that is obtained, there is no difficulty in making any subsequent purchase. In consequence of its being the measure of value,

we estimate that of all other commodities by the quantity of money which they will exchange for. We say of a rich man that he is worth a great deal, and of a poor man that he is worth very little money. A frugal man, or a man eager to be rich, is said to love money; and a careless, a generous, or a profuse man, is said to be indifferent about it. To grow rich is to get money; and wealth and money, in short, are, in common language, considered as in every respect synonymous."

No true theory of "value" could be established till this false theory was cleared away. So long as even a vestige of it haunts the minds of thinkers and learners, they cannot think or learn anything on this subject properly. And therefore Adam Smith applied his whole force to the confutation of it. His success has been so complete that it has made this part of his writings now useless. No one now thinks or supposes that money is the essence of wealth; that it is anything but a kind of wealth, having distinct uses, like other kinds. The strongest interest in reading the chapters of *The Wealth of Nations* on the subject is given by the vigour with which they are written. They are essentially models of practical writing; they are meant to extirpate living error; they follow that error into the minds of those who believe it, and extirpate it in the forms in which it thrives and rules there. The error that the precious metals are the only real wealth, was a living error to Adam Smith, for he had lived with many persons who held it.

The efficacy of Adam Smith's refutation is not wholly derived exactly from its literary merit. Hume had before given a brief exposure, which in mere writing is at least as good. But Hume impressed on this, as on so much else, a certain taint of paradox. He seems to be playing with his subject; he hardly appears to believe what he says, and a plain reader is often puzzled to know whether he ought to believe it either. On a strong-headed man of business, semi-insincere exposition produces no effect. But Adam Smith takes up the subject in a solid, straightforward way, such as he knew would suit the Glasgow merchants with whom he had once lived, and he talks to them, not only as a man acquainted with present mercantile things, but also as one possessing much other cul-

ture and authority. He impressed practical men by his learning, at the same time that he won them by his lucidity and assured them by his confidence.

But when we pass from the refutation of ancient errors to the establishment of coherent truth, we shall not be equally satisfied. Students are, indeed, still sometimes told that they will find such truth in Adam Smith, but those who had nothing else to read, and who wanted to read accurately, did not find it so. What in fact a student will find in Adam Smith is a rough outline of sensible thoughts; not always consistent with themselves, and rarely stated with much precision; often very near the truth, though seldom precisely hitting it; a great mental effort in its day, though always deficient in the consecutiveness required by careful learners, and, except for the purpose of exciting an interest in the subject, altogether superseded and surpassed now.

"Gold and silver, however," says Adam Smith, "like every other commodity, vary in their value, are sometimes cheaper and sometimes dearer, sometimes of easier and sometimes of more difficult purchase. The quantity of labour which any particular quantity of them can purchase or command, or the quantity of other goods which it will exchange for, depends always upon the fertility or barrenness of the mines which happen to be known about the time when such exchanges are made. The discovery of the abundant mines of America reduced in the sixteenth century the value of gold and silver in Europe to about a third of what it had been before. As it cost less labour to bring those metals from the mine to the market, so when they were brought thither they could purchase or command less labour; and this revolution in their value, though perhaps the greatest, is by no means the only one of which history gives some account. But as a measure of quantity, such as the natural foot, fathom, or handful, which is continually varying in its own quantity, can never be an accurate measure of the quantity of other things; so a commodity which is itself continually varying in its own value can never be an accurate measure of the value of other commodities. Equal quantities of labour, at all times and places, may be said

to be of equal value to the labourer. In his ordinary state of health, strength, and spirits, in the ordinary degree of his skill and dexterity, he must always lay down the same portion of his ease, his liberty, and his happiness. The price which he pays must always be the same, whatever may be the quantity of goods which he receives in return for it. Of these, indeed, it may sometimes purchase a greater and sometimes a smaller quantity; but it is their value which varies, not that of the labour which purchases them. At all times and places that is dear which it is difficult to come at, or which it costs much labour to acquire; and that cheap which is to be had easily, or with very little labour. Labour alone, therefore, never varying in its own value, is alone the ultimate and real standard by which the value of all commodities can at all times and places be estimated and compared. It is their real price; money is their nominal price only."

But in the present day it is not true at all that things are dear simply in proportion to the mere labour which it has cost to produce them. A thousand men's labour assisted, say, by ten steam-engines, will produce many more valuable things than a thousand men's labour without those steam-engines. The result of the labour of the two sets of men will not exchange for one another at all. Besides immediate labour there is a vast apparatus of the assisting results of past labour. These must be paid for in some way, or their owner will not let them be used. There is something else essential to modern industry besides labour, and that is *saving*, or the refraining from the immediate consumption of past labour. Sometimes this saving is used to co-operate with labour, as in machines, sometimes to support it, as with food and necessaries. But in either case its existence must be remunerated, and its use paid for. As modern economists say, the value of an article must be such as to compensate not only for the labour, but for the *abstinence* by which it was produced.

Again,—Adam Smith speaks of the quantity of labour which a commodity will buy, as if it were identical with the quantity of labour by which it was produced. He says: "Every man is rich or poor according to the degree in which he can

afford to enjoy the necessaries, conveniences, and amusements of human life. But after the division of labour has once thoroughly taken place, it is but a very small part of these with which a man's own labour can supply him. The far greater part of them he must derive from the labour of other people, and he must be rich or poor according to the quantity of that labour which he can command, or which he can afford to purchase. The value of any commodity, therefore, to the person who possesses it, and who means not to use or consume it himself, but to exchange it for other commodities, is equal to the quantity of the labour which it enables him to purchase or command. Labour, therefore, is the real measure of the exchangeable value of all commodities. The real price of everything, what everything really costs to the man who wants to acquire it, is the toil and trouble of acquiring it. What everything is really worth to the man who has acquired it, and who wants to dispose of it or exchange it for something else, is the toil and trouble which it can save to himself and which it can impose upon other people. What is bought with money or with goods is purchased by labour, as much as what we acquire by the toil of our own body. That money or those goods indeed save us this toil. They contain the value of a certain quantity of labour which we exchange for what is supposed at the time to contain the value of an equal quantity. Labour was the first price, the original purchase money that was paid for all things. It was not by gold or by silver, but by labour, that all the wealth of the world was originally purchased; and its value, to those who possess it, and who want to exchange it for some new productions, is precisely equal to the quantity of labour which it can enable them to purchase or command."

But the quantity of labour which a thing will purchase depends on the degree in which it is desired by labourers. A grand piano in a coarse community will buy less labour than a barrel of beer. Mere labour is the worst "measure" of value conceivable, because it varies with the appetites and differs with the tastes of mankind. There is nothing more uncertain, more changeable, or more casual than the number of days' labour that an article will purchase. As some one expressed

it: "Gin will purchase more than it ought, and tracts less than they ought".

Adam Smith did not put the matter graphically enough before his mind. He speaks of a man's fortune being equal "to the quantity either of other men's labour, *or what is the same thing*, of the produce of other men's labour which it enables him to command". But unless you suppose that some general instrument of purchasing power, like money, exists, and that a man's fortune consists in it, the two things are not the same at all. One man's fortune may consist of a valuable library, which would buy no manual labour at all, but for which bookish people would barter many other commodities; another may have a heap of coarse meat and drink, which will bring crowds of labourers to share them, but for which few refined persons would give anything.

Unquestionably, as has been shown, in a rude state of society, where labour is the principal cost of production, two articles produced with the same amounts of labour will tend to exchange one for another because every labourer will tend to migrate to the place where his labour is better rewarded, and leave the place where it is worse. And this is what Adam Smith vaguely saw, and several times meant to say, but he did not exactly say it; he never says it, and often says something quite different.

In another passage Adam Smith sets forth a similarly vague view of the doctrine of exchangeable value as it stands after capital has accumulated. But, as will be shown, he does not work it out fully, and he does not reconcile it, or feel that there is a difficulty in reconciling it, with his former doctrine of value based on mere labour, and yet they are plainly incompatible. "There is," he says, "in every society or neighbourhood an ordinary or average rate both of wages and profit in every different employment of labour and stock. This rate is naturally regulated, as I shall show hereafter, partly by the general circumstances of the society, their riches or poverty, their advancing, stationary, or declining condition, and partly by the particular nature of each employment. There is likewise in every society or neighbourhood an ordinary or average

rate of rent, which is regulated too, as I shall show hereafter, partly by the general circumstances of the society or neighbourhood in which the land is situated, and partly by the natural or improved fertility of the land. These ordinary or average rates may be called the natural rates of wages, profit, and rent, at the time and place in which they commonly prevail. When the price of any commodity is neither more nor less than what is sufficient to pay the rent of the land, the wages of the labour, and the profits of the stock employed in raising, preparing, and bringing it to market, according to their natural rates, the commodity is then sold for what may be called its natural price. The commodity is then sold precisely for what it is worth, or for what it really costs the person who brings it to market; for though in common language what is called the prime cost of any commodity does not comprehend the profit of the person who is to sell it again, yet if he sells it at a price which does not allow him the ordinary rate of profit in his neighbourhood, he is evidently a loser by the trade; since by employing his stock in some other way he might have made that profit. His profit, besides, is his revenue, the proper fund of his subsistence. As, while he is preparing and bringing the goods to market, he advances to his workmen their wages, or their subsistence; so he advances to himself, in the same manner, his own subsistence, which is generally suitable to the profit which he may reasonably expect from the sale of his goods. Unless they yield him this profit, therefore, they do not repay him what they may very properly be said to have really cost him. Though the price, therefore, which leaves him this profit, is not always the lowest at which a dealer may sometimes sell his goods, it is the lowest at which he is likely to sell them for any considerable time; at least where there is perfect liberty, or where he may change his trade as often as he pleases."

As every one will see, this second doctrine is much more like real life than the former. But in Adam Smith's mind it did not supersede it. All through *The Wealth of Nations* there is recurring confusion between three things, the "natural price" of an article estimated as in the above passage, the

quantity of labour required to make it, and the quantity of labour which it will buy; of which three things no one ever for the most part coincides with the others.

Even this second exposition contains one error, which unfits it for scientific use, and which the sharp eye of Hume at once perceived. "I cannot think," Hume wrote, "that the rent of farms makes any part of the price of produce." And very clearly it does not. For, if it does, of what farm? The rent of various pieces of corn-growing land varies infinitely; is it the rent of the dearest which enters into the price of the half-and-half, or of the cheapest? We know that the price of corn is the same, no matter on what quality of land it is grown. Does that price pay the rent of good, of indifferent, or of bad land? This question Adam Smith does not answer, nor seemingly does the necessity of answering it occur to him.

On the other hand, it must be owned that there is a great naturalness in Adam Smith's idea. It is that which would strike every one on a first view of the facts. The capitalist pays the rent of the land, just as he pays the wages and buys the seed corn: and it is as much necessary that he should be recouped for the payment of that rent as for either of the other payments. If the "rent" of the farm is not an element in the price of the corn, how then is that rent to be paid?

The answer is, that the rent of extra good land is paid out of the extra quantity (or extra good quality) of what it produces. If one acre of land yields twice as much as another, it will answer the capitalist's purpose to pay twice as much for its use. But if he does pay twice as much, the cost at which he will grow each ear of corn will be the same as that of the farmer on less good land; the extra fertility will be compensated by the extra rent. It may, of course, be that the owner of the best land will farm it himself, and then he will have no rent to pay for its unusual goodness. But he will not sell his produce the least cheaper for that; he will get all that he can for it. We have seen how "market price" is determined: it depends on certain desires of the seller and the buyer, in part generated by the quantity of the article and the quantity of money, and in part not. But none of those desires would make

a man say: "I produce this at a less cost than others, and therefore I will let them charge a higher price than I do." No producer sets himself to introduce fairness into the reward of production, by letting those who possessed less facilities than he did, receive more than he does. The nature of market-going man is formed quite differently.

The only reason why the cost of production in the end tends to determine market value is that every one who wants an article will take the easiest means to get it. If a capitalist wants to invest his money to gain an income, he will, *cæteris paribus*, be apt to engage in pursuits which are reputed profitable, and to avoid those which are reputed unprofitable; and this will reduce the profits of all trades not *to* a level, but *towards* a level. But the argument assumes that all means of production are equally open to every one. If any one has exclusive possession of an especially good opportunity, he will get something out of it proportioned to that especial goodness. The owner of extremely good land, who farms it himself, will get a return over and above the ordinary rate of profit in proportion to that goodness. He will sell a great deal at the price which will yield the required profit to those who can sell only much less.

This is only another way of saying that the capital which yields the least permanent return—the least profit for which farmers as a class will carry on agriculture—is that which determines the price of agricultural produce. This is the least which the farmer in the long run will sell for, and the most which he will be able to obtain. And this capital is that which pays the least rent.

In all countries where land is easily accessible to capital, that "least" rent is *no* rent, because land is taken into cultivation as soon as its cultivation will pay the usual profit, and because after it is in cultivation, more and more capital is expended upon it, so long as expenditure meets with the usual return. The production of valuable things on the surface of the ground is exactly like the extraction of valuable things from beneath that surface. It is the worst mine which can in the long run be kept going, that in the long run determines the price of the

produce; the owner of the better mine does not sell his ore cheaper than his neighbour, because he can get that ore at less cost than his neighbour; the best-circumstanced miner exacts as much as the worst-circumstanced miner is able to obtain. And the "worst-circumstanced" mine pays no royalty to the owner at all; it only pays a bare profit on the capital.

Adam Smith's idea, therefore, that in ordinary circumstances the rent of land entered as an element into the price of agricultural produce, though a very natural idea, was a complete mistake, because he could not have told what rent he meant—the rent of best, or middling, or bad land—and because much capital employed in agriculture yields only the ordinary profit on capital, and therefore pays no rent at all. The mode of estimating "cost of production," given by Adam Smith, in this case was most imperfect, because one of its terms was undetermined, a variable which might be anything, and often is nothing.

This opinion of Adam Smith's as to the rent of land is closely connected with a peculiar opinion of his as to agriculture. He held that it was the most profitable employment to which the capital and industry of a country could be directed. This opinion, like many of his others, was a modification of that which he had learned in France. The *Économistes* in Paris at that time held that agriculture was the only profitable occupation of labour and capital. And it would take many pages to give an account, in the least comprehensible, of the elaborate reasoning by which they had persuaded themselves of this ridiculous result. Adam Smith, of course, rejected it; his strong sense particularly revolted from that kind of argumentative absurdity. But he was nevertheless influenced by it. Though he did not hold agriculture to be the only source of profit, he held that it was a particularly prolific one. "It keeps three people," he would have said, "the landlord, the capitalist farmer, and the labourer; manufacturers and trade keep only two, the labourer and capitalist; clearly therefore agriculture has the advantage." He assigned at length what he thought was the philosophical reason. "The labourers and labouring cattle, therefore, employed in agriculture, not only occasion, like the workmen in manufactures, the reproduction of a value

equal to their own consumption, or to the capital which employs them, together with its owner's profits; but of a much greater value. Over and above the capital of the farmer and all its profits, they regularly occasion the reproduction of the rent of the landlord. This rent may be considered as the produce of those powers of nature, the use of which the landlord lends to the farmer. It is greater or smaller according to the supposed extent of those powers, or, in other words, according to the supposed natural or improved fertility of the land. It is the work of nature which remains after deducting or compensating everything which can be regarded as the work of man. It is seldom less than a fourth, and frequently more than a third, of the whole produce. No equal quantity of productive labour employed in manufactures can ever occasion so great a reproduction. In them nature does nothing; man does all; and the reproduction must always be in proportion to the strength of the agents that occasion it. The capital employed in agriculture, therefore, not only puts into motion a greater quantity of productive labour than any equal capital employed in manufactures, but, in proportion too to the quantity of productive labour which it employs, it adds a much greater value to the annual produce of the land and labour of the country, to the real wealth and revenue of its inhabitants. Of all the ways in which a capital can be employed, it is by far the most advantageous to the society."

Probably few passages in so eminent a writer on the subject for which he is eminent, contain so much curious falsehood. If nature does nothing in manufactures, in what is it that it does anything? "Manufactures" are but applications of natural forces, just as agriculture is another application. And the reasoning assumes that the natural causes which produce *dear* things are more beneficial to mankind than those which produce *cheap* things, though had Adam Smith seen that he was making such an assumption he would have been the first to reject it. The causes which produce dear things are not necessarily more beneficial than those which produce cheap ones; they are only less plentiful. A diamond mine is not more useful to the State than a coal mine; probably in the strictest sense of the word

not so useful. The fact that a particular occupation keeps three classes of men, while other occupations only keep two, only shows that there is a special difficulty in getting into that occupation, and a special scarcity in its opportunities; it proves nothing as to the degree of good which it does for the public. And Adam Smith's conclusion is encumbered with the further absurdity that agriculture in new colonies does not create rent, and does not keep three people, though of course it is just as good for the public there as in old countries.

Although, therefore, Adam Smith had the merit of teaching the world that the exchangeable value of commodities is proportioned to the cost of their production, his analysis of that cost was so very defective as to throw that part of Political Economy into great confusion for many years, and as quite to prevent his teaching being used as an authority upon it now.

The causes which regulate the value of securities, whether debts or shares, Adam Smith did not attempt to investigate at all; and it was not to be expected that he should do so, for such things were in his day a very unimportant part of wealth, compared with that which they are now. And if, as we have seen, Adam Smith's conception of "average" value, and of the causes producing it, was then imperfect, his idea of monetary or market value was much worse. He says: "The actual price at which any commodity is commonly sold is called its market price. It may either be above, or below, or exactly the same with its natural price. The market price of every particular commodity is regulated by the proportion between the quantity which is actually brought to market, *and the demand of those who are willing to pay the natural price of the commodity*, or the whole value of the rent, labour, and profit, which must be paid in order to bring it thither. Such people may be called the effectual demanders, and their demand the effectual demand; since it may be sufficient to effectuate the bringing of the commodity to market. It is different from the absolute demand. A very poor man may be said in some sense to have a demand for a coach and six; he might like to have it; but his demand is not an effectual demand, as the commodity can never be brought to market in order to satisfy it."

But the actual price at which a thing is sold is determined not solely by the demands of those who are willing to pay the average price of the commodity, but by everybody's demand who bids for it. It is, as we have seen, an exchange determined by the quantity of the commodity in the market and the desires of its holders, as compared with the quantity of money in that market and the desires of its holders; it is a case of barter determined by relative quantities and relative feelings. And the phrase "effectual demand," if defined to mean the demand of those willing to pay cost price, is misleading, because the money offered by those willing to pay cost price is not sufficient to be effectual when articles are particularly in demand, and therefore sell for more than it cost to make them, and is more than sufficient to be effectual when the demand for articles is particularly slack, and when therefore they sell for less than it cost to make them. The whole idea is confused.

In other passages, Adam Smith takes a view far better than in this. But this is the place where he ought to have taken the best, for it is the guiding paragraph of his special disquisition upon the subject. And his being not so good upon it here as elsewhere shows that his elementary conception was defective in definiteness. And nothing is more natural than that it should be so. Perhaps, as I have said before, Adam Smith's mind was by nature rather disinclined to an anxious accuracy in abstract ideas, and a century of critics on these facts and these times have sharpened our perception since he wrote on them. We must not expect from him the use of modern "words of precision," any more than we should find fault with a marksman of his generation for not using a rifle. Neither such "arms of precision," nor such "words of precision," then existed. And there was then little encouragement to think out the subject. Adam Smith evidently hurries over the abstract part of it, because he thinks his readers will not attend to it. Even now a writer, who wishes to be read beyond a very narrow circle, must be careful not to be too elaborate. And in the last century the case was certainly far worse. Many great writers—Montesquieu and Hume especially—would have written far more instructively, and as we should now think,

far better, if they could have relied on any careful attention from their readers. They evidently thought that their writings would be principally read by persons who would cease to read as soon as they became dull. Nowadays the diffusion of physical science—even of popular physical science—has partly taught us that much truth is dull and complex, and that the most interesting parts of truth can only be understood by those who have mastered that dull and complex part. But even now we do not remember this half enough.

After these specimens, it would evidently be tedious to criticise *The Wealth of Nations* as if it were a treatise of modern Political Economy. We have given some account of what would be its answer to the first question of that science, "What makes all things exchange for more or less of other things?" And we see from it what the answer to other similar questions would be like. Nothing could be more unjust to a great writer than to judge of him by a standard which he did not expect, and to blame his best book for not being what he never thought of making it, especially when, except for him, we should never have imagined the standard, or conceived the possibility of the book being that which we now blame it for not being. We might as well expect that the first cultivators of a country should make the best permanent road, as that the first propounders of great conceptions should shape them into the finished form most useful to posterity.

The ways really to appreciate Adam Smith are two. First, —You should form a clear notion of the state of the received Political Economy of the world at the time he wrote. The last treatise on the subject published in England before *The Wealth of Nations*, was *The Principles of Political Economy*, by Sir James Steuart. The author was a man of culture and travel, acquainted with a great variety of economic facts, and conversant with what had been written before upon the subject. He was a man of considerable natural ability, respected and consulted in his time, and his book is still worth looking over, for it contains many facts and reasonings which are curious. And this is the sort of thing he writes. Much foreign trade he considers mischievous. He propounds a plan—a foreign trade that is really

desirable for a nation founded on the three following "easy principles".

"The first,—That in a country entirely taken up with the object of foreign trade, no competition should be allowed to come from abroad for articles of the first necessity, and principally for food, so as to raise prices beyond a certain standard.

"The second,—That no domestic competition should be encouraged upon articles of superfluity, so as to raise prices beyond a certain standard.

"The third,—That when these standards cannot be preserved, and that, from natural causes, prices get above them, public money must be thrown into the scale to bring prices to the level of those of exportation.

"The greater the extent of foreign trade in any nation is, the lower these standards *must* be kept; the less the extent of it is, the higher they may be allowed to rise."[1]

And taking the subject more practically, he says: "It is a general maxim to discourage the importation of work, and to encourage the exportation of it," and upon that footing he asks and discusses: "What is the proper method to put a stop to a foreign trade in manufactures when the balance of it turns against a nation?" This is the kind of authoritative doctrine which ruled in Adam Smith's time, and from which he delivered us.

The second way is to take up Adam Smith himself and read him. There are scarcely five consecutive pages in *The Wealth of Nations*, which do not contain some sound and solid observation important in practice and replete with common-sense. The most experienced men of business would have been proud of such a fund of just maxims fresh from the life, and it is wonderful that they should have occurred to an absent student, apparently buried in books and busy with abstractions. Most of such students, so far from being able to make such remarks, would not comprehend their value—would acknowledge that they could not see much in them, if they were elaborately explained to them. Adam Smith himself probably did not know

[1] *Principles of Political Economy*, by Sir James Steuart, vol. i., p. 358.

their exceeding merit, and preferred more learned parts of his writings, which are now obsolete, and more refined parts, which are now seen to have little value. Lord Bacon says of some one that he was "like Saul, who went in search of his father's asses and found a kingdom"; and this is exactly what happened to Adam Smith. He was engaged in a scheme of vast research, far surpassing the means at his disposal, and too good for any single man. In the course of that great pursuit, and as a small part of it, he came upon the "Wealth of Nations," for dealing with which his powers and his opportunities peculiarly fitted him, and on that he wrote a book, which has itself deeply influenced thought and policy, and which has been the beginning of a new science. He has obtained great fame, though it was not that fame which was the dream of his life, for—

> What was before us we know not,
> And we know not what shall succeed.[1]

MALTHUS.

The next great advance in Political Economy was made almost in as unlikely a manner. In the middle of the last century there lived in the South of England a certain Mr. David Malthus, who was a friend and correspondent of Rousseau, and one of his executors. This gentleman had adopted all Rousseau's ideas of the perfectibility of man, and of the speed with which he would improve if he were only left to himself, and set free from the chains of ancient custom. The air of that time was full of such ideas, and many otherwise quiet and rational persons were excited and enthusiastic about them. Mr. David Malthus had a clever son, Robert, whom he educated with great care, and to whom, doubtless, in season and out of season, he communicated his favourite ideas. At any rate, Robert grew up with a proper antipathy to them. The instinctive reaction of child against parent, which more than almost anything keeps men moving, and prevents "one good custom" from "corrupting the world," has seldom had a better example. "Train up a child in the way he should go," a cynic

[1] Matthew Arnold.

has observed, "and then you may feel safe that he will not walk in it." Let a child hear much from infancy of nice dreams and pleasing visions, and to the best of your ability you will have prepared him for prosaic carefulness and a dismal rationalism.

The *Essay on Population*, says Mr. Malthus, "which I published in 1798, was suggested, as is stated in the preface, by a paper in Mr. Godwin's *Enquirer;*" and there is a curious story about it. Mr. Godwin was a disciple of Rousseau, and had drawn up a plan of village perfection, in which "every rood was to maintain" its man, and in which mankind were to be happy and at ease, without the annoying restraints of property and marriage. Such "Elysiums" have been sketched in all ages, and here is nothing remarkable about them; but Mr. Malthus's reply was very remarkable. "You may," he said, "imagine this perfect picture for a little while, but it will not last. It cannot last. Nature is against it. She has a principle—that of population—which is sure to destroy it. Mankind always, by her arrangements, increase as fast as they can; misery checks their increase, and vice checks it, but nothing else. A perfectly happy and virtuous community, by physical law, is constrained to increase very rapidly; if you look into the fact you will find that it will double every twenty-five years, but there can be no similar increase in their food. The best lands are taken up first, then the next best, then the inferior, at last the worst; at each stage the amount of food produced is less than before. By nature human food increases in a slow arithmetical ratio; man himself increases in a quick geometrical ratio, unless want and vice stop him, so that if you make him happy in a village community for a moment, he will soon multiply so that he shall cease to be happy; there is nothing to stop him; he will ere long reach the inevitable limit where want and wickedness begin to keep him down."

The world rather eagerly read his doctrine, for the reaction against dreams and visions was strong in many minds. The event of the French Revolution had upset all calculation, broken up all pleasing visions, and disheartened half, or, indeed, much more than half, mankind. Mr. Malthus was as

much the mouthpiece of his generation in exposing Utopias, as his father had been in accepting them. The *Essay on Population*, in its first edition, was read with eager avidity, and its doctrines seem to have been much believed.

Still, when examined, the tenets seemed startling, and what made them even more surprising was that their propounder, Mr. Malthus, was a clergyman. People objected, "Can this really be so? Is it consistent with religion? Can we believe that inevitably man is yoked to sin and misery? That even if you make him good, and if goodness makes him happy, the structure of earth and nature is such as inevitably in a few years to make him miserable again? How is this possible under a benevolent Creator? How can it be made to accord with revelation?" Such objections were difficult to answer, especially as Mr. Malthus was a simple candid man, and they seem to have had much effect in changing his views. At least, in the preface to the second edition, he tells us: "Throughout the whole of the present work, I have so far differed from the former, as to suppose the action of another check to population, which does not come under the head either of vice or misery". This is the celebrated principle of "self-restraint, moral or prudential". And he goes on to say that he has endeavoured to soften some of the harshest conclusions of the first essay. But he does not seem to see that he has cut away the ground of his whole argument. If there be this principle of virtuous self-restraint, he no longer answers Godwin; he no longer destroys the dreams of perfectibility. If it be possible for a perfectly virtuous community to limit their numbers, they will perform that duty just as they perform all others; there is no infallible principle that will break up the village community; it can adjust its numbers to its food, and may last for ever. In its first form the *Essay on Population* was conclusive as an argument, only it was based on untrue facts; in its second form it was based on true facts, but it was inconclusive as an argument.

From this unlucky beginning the established doctrine in Political Economy of "Population" is to be dated. And as was not unnatural, so odd a commencement was unfavourable

to its comprehension. From the mode in which he first regarded the subject, it was natural that Mr. Malthus should think more of the painful aspects of the subject than of the opposite ones. At first there were no cheerful aspects; the doctrine was an apparatus for destroying cheerfulness; in its second and truer form it is far less painful, though like most great truths about the world (especially economic ones, which have so much to do with labour and toil), it has its painful side. But Mr. Malthus first put the painful side alone forward, fixed the public mind upon it, and for many years it could see no other.

There is much in the theory of population which it would require a large book to discuss, and I am far from pretending that I could write that book. Many most difficult questions of morals, and many others of physiology, must be treated of, and it is especially hard to discuss such questions *virginibus puerisque*, as almost all questions are now discussed. Some parts of it could scarcely be managed, except under the decent veil of a dead language. The conditions of marriage form only part of that subject, and a great deal would have to be written on that part in its relations to the actual past, and to the possible future. But what is necessary for abstract Political Economy is much easier. As has been previously explained, the peculiarity of this science is that it abstracts, that is, it seizes upon and alone considers the principal peculiarities of existing man as we find him in the principal commercial nations. It does not profess to be accurately complete as to those nations, even as they are now, still less as they once were, or as they may hereafter be; and still less again does it pretend to be true of other nations, in ages of a different character, cast in a different mould, and occupied with different ideas. Human nature is so various that we cannot treat of it at once briefly and fully; we can only reason on short propositions, and, therefore, we must cut the subject up into distinct portions, each of which can be conceived of by itself and heard out by itself. And no part of human nature is more infinite than the relation between the sexes and its consequences.

Mr. Malthus had no idea of looking at the subject in this way. He thought he was dealing with all nations and all ages. In its original form the *Essay* propounded a universal principle, destructive of golden visions; in its later forms he deals, first, with principles of population in the most barbarous ages, and then with them in every variety of society which he knew of—nomad or stationary, commercial or agricultural; and there is much in his discussion of the savage society, which is still worth reading, and which was much before his time. His mind was by nature indisposed for, and unfit for, abstractions; indeed, if I may say so with reverence, he always seems to me but a poor hand at a dry argument. Like Adam Smith, he had no idea that he was founding an abstract science; he thought he was dealing wholly with the concrete world, but it so happened that his idea of the concrete world coincided with the most convenient abstraction that can be made from it, and so he became, in spite of himself, the founder of an abstract science.

The assumed laws of population in abstract Political Economy are these:—

First,—That population would soon outstrip the means of feeding it, if it were not kept down by vice, misery, or self-restraint.

Secondly,—That in a state of society where self-restraint does not act at all, or only acts so little that we need not think of it, population will augment till the poorest class of the community have only just enough to support life.

Thirdly,—That in a community where self-restraint acts effectually, each class of the community will augment till it reaches the point at which it begins to exercise that restraint.

In the second case (which was all that Malthus thought of in his first edition), the population increases till it reaches a physical minimum of subsistence—one that is set by natural causes; in the other it increases till it reaches a moral minimum of subsistence—that is, one set by human choice. And it follows that in improving communities this moral minimum is commonly rising, for in most communities more self-restraint of this sort is desirable, and as people improve they

mostly are more inclined to exercise it. The physical minimum must be a fixed minimum; the moral may be, and ordinarily is, a moving minimum. A Political Economist does not imagine (as I have previously explained) that vice, misery, and self-restraint are the only causes which affect the rate of increase of population. He well knows that many others act on it. All he says is, that in the principal commercial communities of the world these causes are now in most powerful operation, though they are retarded or helped by others; in a word, that these selected causes will in such communities produce the specified results, in more or less time, though there are other causes which aid in settling how long or how short that time is to be.

For example, it might well be (though I do not know that it has been proved) that some races of men from inherent organisation tend to augment faster than other races. The causes which divide men into races are so many, so hidden, and produce so many effects, that it would not be strange if they had this effect among others. Perhaps there would be more *a priori* likelihood that they would have such an effect as this than that they would produce some actual effects which are quite certain. There is much evidence that different climates affect differently the sexual desires; some aggravating them and some calming them. And it would seem likely that those races which had in this respect for ages been exposed to intensifying influences, would augment more rapidly than those which had been exposed to mitigating ones. Our knowledge of race-making causes is still most imperfect, and we can never trace race effects separately; they are always combined with the effects of many other causes. In this case the confusion is peculiarly complex, for rules of morality—arising in unknown circumstances, and inherited for untold ages—so retard or quicken the growth of population that it is impossible to isolate the purely physiological phenomenon. Still the principles above laid down afford all possible room for it; they will have their usual action, though morality will have a concurrent action.

Again, we may quite believe that the nervous conditions

which luxury engenders are less favourable to the prolificness of population than simpler conditions. On this point, and on this point only, of the theory of population, Adam Smith had remarkable and sound views. "A half-starved Highland woman," he tells us, "frequently bears more than twenty children, while a pampered fine lady is often incapable of bearing any, and is generally exhausted by two or three. Barrenness, so frequent among women of fashion, is very rare among those of inferior station." Probably of all causes which regulate the pace of population, the nervous state of the woman is the most important, and it seems to have a kind of cyclical course as society advances. There is much reason to think that in the earliest state in which we know men to have lived—the state of the old slave age and the present savages—the hard labour and insufficient food of the women tend very much to keep down the increase of numbers. At a later period the improvement of food, better shelter, diminution of work during pregnancy, bring the bearing power of women up to its maximum. The Highland woman of Adam Smith probably was able to bring into the world as many children, and, physically at least, as strong children, as any one who ever lived. After that, not only the luxury of which he speaks, but education and the habit of using the mind, tend almost certainly to diminish the producing power. There is only a certain quantity of force in the female frame, and if that force is invested, so to say, in one way, it cannot be used in another.

The same force acts, no doubt, on man, but probably differently. The use of the mind in some ways certainly does not have much, if any, effect on the power of increasing the race. The English judges whose children Mr. Galton counted, showed very considerable capacity of this sort, and they worked in their way as hard as many people ever have or will. But for the most part they do their work with a joyous swing and impetus which show that it does not tell upon the nerves. But anxiety, as has been said, does so tell, and we have seen that there is reason to believe that it much tends to slacken the growth of population; and, probably, any of the higher exercises of the mind, which cause, as they all do, obscure and subtle pain,

have a similar effect. But these are problems for the future. No one can say that they are solved as yet; indeed, we are only beginning to try to solve them. Some have been sanguine enough to fancy that the accumulation of them may in distant ages make a stationary state possible, and make it pleasant. But with this Political Economy has nothing to do. It deals with men here and now; it takes certain parts of their nature which are indisputable, and which are important, and considers how these would operate by themselves. Questions as to the ultimate effects of other agencies, physiological or mental, it leaves to other sciences and to futurity.

In the same way, then, Political Economy cannot by itself pretend to solve the many new problems which the sanitary condition of great cities suggests in this age of them. There can be little doubt that these great accumulations of human beings have at least three effects. First, Mr. Galton holds that they diminish in some unknown degree the number of births. "Again, there is a constant tendency of the best men in the country to settle in the great cities, where marriages are less prolific and children are less likely to live. Owing to these several causes, there is a steady check in an old civilisation upon the fertility of the abler classes; the improvident and unambitious are those who chiefly keep up the breed. So the race gradually deteriorates, becoming in each successive generation less fitted for a high civilisation, although it retains the external appearances of one, until the time comes when the whole political and social fabric caves in, and a greater or less relapse to barbarism takes place, during the reign of which the race is perhaps able to recover its tone." And these consequences seem to Mr. Galton purely evil. But they do not seem so to me. No doubt it is an evil that the accumulation of men in cities weakens the frame, and that they have not the same energy or health as those in the country. Every one must regret this decline of power. But when power has declined in a certain race, it is better that that race should not increase as fast as others. We had better breed from hardy than from weakened specimens. The diminished growth of urban populations seems to be Nature's remedy for the diminution in

their strength. Secondly, great towns indisputably encourage drunkenness. The bad state of the atmosphere there certainly inclines men more to drink than the better air of the country. And this is, no doubt, a great evil. But we may doubt if it is an evil without compensation. The persons most inclined to drunkenness are generally persons of some nervous taint or weakness which they often inherited themselves, and which they might not improbably transmit to their children. I do not, of course, mean that this inherent weakness is irresistible. No doubt the mass of these people can, at first at least, help drinking very well. The heritable taint amounts only to an increased liability to this temptation. But this is quite reason enough to wish that it should not be inherited. Great cities seem to have this special function in the world, that they bring out this taint in the worst specimens. Not only do such persons suffer as usual from the general decline in the multiplying power of city populations, but they also suffer in a way peculiar to themselves. One of the effects of a drunken habit is to diminish this kind of power, as well as, and perhaps more than, most others. Thirdly, great cities collect together a great criminal population, and make them sterile ; and so far as crime is connected with a low type of nervous organisation, as it is very often, this sterility is a great gain. Society gets rid of these over-tempted persons, whose peculiar defects are a danger to others as well as to themselves. Great cities must always be in their worst aspects painful spectacles, but this painfulness is somewhat relieved when we see that we can regard them as a huge cleansing machinery, which, no doubt, shows us a great deal that is detestable, but also takes away much of it, and prevents more coming, not only in that place but in others.

Nor has Political Economy any concern with the other purging means, which in a subtle way Nature seems to use all through civilised society. It is said that man is the only animal of whose breed no care is taken. But Nature has not forgotten to take much care of it. Every one who watches society must have seen many instances in which defective families have died out, because they were defective. The men

being weak failed to earn their living, and, therefore, could not marry, and the girls wanting from the same cause life and vigour did not find husbands, and so the race died away. And this cause works not only in families weak as a whole, but in the weak members of strong families. All through society there is a constant tendency in civilised life to slacken the pace of population by weeding away those weaker and less valuable.

There seem to be curious processes of Nature also at the other end of the scale of cultivation. The process by which so many savage races die out before civilised man, is certainly not as yet completely explained. Hard work, which civilised man brings, and which most savages cannot bear, accounts for some of it; alcohol, "the fire-water," as savages call it, accounts for more. But there seems to be a residue still unexplained. The most plausible theory says that this is due to two causes; and first, to the inability of savage nations to bear the diseases to which the hardened frame of civilised men is inured. For ages, in the contested parts of the world which civilised man inhabits, the stronger race has conquered and supplanted the weaker, and the result is a strong animal equal to many difficulties, and able among other things to survive strong diseases. But in the out-of-the-way places which savages inhabit there has been no such incessant conflict, and in consequence there is no such strong animal. The weaker savage succumbs to diseases which the seasoned white man easily bears. Indeed, the way in which savages waste away before "alcohol" is but a case of this; they cannot bear, as white men can, the diseases which it generates. And the second cause which co-operates with this is a certain disheartened tendency of mind which somehow tells on the nerves and which is analogous to the way in which wild animals die out when caught and confined. A certain life and spirit seem as essential to keep men in good numbers as in good health.

Different kinds of food may, too, for aught we know, have an effect not yet understood on man's power to increase his numbers. The potato was at one time fancied—erroneously, probably—to contain a particular stimulus of this sort. But though this instance may have been a mistake, the conception

is possible. We must not always say that the more nutritious food will tend universally to produce the more people, though, no doubt, it usually does so. It may even sometimes have a contrary effect; it may run to quality rather than to quantity; it may make fewer strong people, instead of more weak ones.

I set out these considerations at length because it is most important that there should be no disunion between Political Economy and Physiology, or between it and the more complex forms of social science. No Political Economist has the slightest reason to depreciate the causes which act on population of which his science takes no cognisance. On the contrary, he has the greatest reason for taking an interest in them. They supplement what he discusses; reality is composed of the influences treated of in his science, *plus* these influences, and of course he wishes to compare his work with fact.

We must be careful to see what these principles themselves mean, for they are often mistaken. Even apart from Physiology, they do not say that an increase in the comfort of a people necessarily tends to augment their numbers. It does so in two cases only. The first case is when the people are at the "physical minimum," with just enough to support life, and do not exercise self-restraint. Here the moment there is more food there will be more numbers. Such people will always multiply, just as the ryots in Bengal, in a somewhat similar state of things, are multiplying. The second case is when the people are at the "moral minimum," with just what will support the existing numbers in the sort of life they think proper—be it high or low—such numbers being kept down by self-restraint, and when the people do not change their standard. Then, undoubtedly, more comfort will be turned into more children, and in a little while the new state of things will produce no more comfort to each person than the old one—only there will be more persons to enjoy it. But there is no sort of necessity in this; as has been explained, the "moral minimum" is very movable; the people may change their standard, and in that case more comfort will not produce more persons. There will only be as many as there would have been before, and the

average of these will have a better life. Whether a people take one course or the other, will depend on this sort of change, and on its relation to the sort of civilisation enjoyed by the people. I doubt if any general formula can be found for it. Some writers have said that a great sudden change which elevates a whole generation, is more likely to raise the population standard than a series of successive small changes. But as far as I can judge, more depends on the previous preparation of the people than on its absolute amount; a really thrifty people used to self-denial will profit exceedingly by a series of small improvements; they will not "run to numbers," they will augment in happiness. And an easy-going enjoying nation will mostly not be much the better for any boon of plenty, however great or sudden; they will live at the same average, but the average will not be raised.

Now that we see the extreme delicacy of the assumptions as to population on which abstract Political Economy is based, we shall not be surprised at finding that Mr. Malthus did not apprehend them as they really are. As I have said, he did not in the least know that he was aiding in the foundation of an abstract science. He thought that he was dealing with real men and that the principles which he expounded were all those which affected his subject. Indeed, the best part of his book is an account, which must have cost great labour at that time, of the rate at which population had augmented, and was augmenting, in various countries, and the causes which influenced that rate. And the best part of this is that which relates to the savage state, for even now when that state has been so accurately studied, it is worth while to glance over what Malthus wrote on it, more than fifty years ago. That his analysis of population causes in other countries should be most incomplete was a matter of course; even now we are in the dark on much of this subject. But how incomplete it was will sufficiently appear from a single fact. Though he treats elaborately of Norway and of Switzerland, he has no idea that peasant properties have a tendency to check population. He discusses the subject as if there were no difference in this respect between a people which owns the soil and one which lives by wages.

And therefore many of the disquisitions in which he indulges are wholly thrown away.

And Mr. Malthus, as was natural, never cleared his mind entirely of the dismal theory with which he began. Scarcely any man who has evolved a striking and original conception of a subject ever gets rid of it. Long after he himself fancies that he has cleared his mind of it, every one else sees that it haunts him still. Mr. Malthus was peculiarly little likely to get rid of his errors. He had published his original theory, had made a name by publishing it, and he never admitted even to himself how complete a change the foundation of his ideas had undergone. A theory of population which does not include self-restraint, like his first, and one which essentially depends on it, like his second, differ in their essence, and therefore differ in their main consequences. From a theory of population which does not include a prudential check, it follows that plenty cannot last, and that men will always multiply down to misery. But such a theory with a prudential check, has no such consequence. And for many years it was a misfortune to the subject that the original propounder of what were then the best views of it, had connected those views with a mischievous exaggeration, leading straight to lamentable results.

To most other parts of Political Economy Mr. Malthus added very little. And on some he supported errors which were even then becoming antiquated. He was a strenuous advocate of "Protection to Agriculture," and believed that the supply of all commodities might exceed the demand, which is as much as to say that there is too much of everything. The truth is, that Mr. Malthus had not the practical sagacity necessary for the treatment of Political Economy in a concrete way, or the mastery of abstract ideas necessary to deal with it in what we should now call a scientific way. He tried a bad mixture of both. There is a mist of speculation over his facts, and a vapour of fact over his ideas.

On one important point Mr. Malthus was, however, in advance of his time. He was one of several writers who, at the same time, discovered the true theory of rent. That theory lay, indeed, close to his ideas on population. Its essence (as

we have seen) is, that the rent of land arises from the scarcity of good land. Mr. Malthus could not help seeing that Adam Smith (and the French *Économistes*) were wrong in imputing rent to some pre-eminent merit in the land. He saw that it came from a special fact concerning land, *viz.*, that so little of it is first-rate both in situation and in quality; that most is either not the best, or not in the best place, else there would be no rent of land any more than of air. This truth seems so plain that one can scarcely conceive how it should ever not have been seen. But certainly it was not seen till modern economists pointed it out. And, then, as so often happens, it was on many people's lips almost at once. The fact was so unmistakably plain that several persons could not help seeing it the moment they began to search for it. Of these, Mr. Malthus was one, but not the best. As we shall see, a much keener intellect than his far more fully examined all its consequences.

There is nothing in Mr. Malthus's life which is worth mentioning, or which illustrated his doctrines. He was an estimable gentleman, and clerical professor; a "mild pottering person," I think Carlyle would have called him. Neither his occupation nor his turn of mind particularly fitted him to write on money matters. He was not a man of business, nor had he, like Paley, and similar clergymen, a hard-headed liking for, and an innate insight into, the theory of business. He was a sensible man educated in the midst of illusions; he felt a reaction against them, and devoted the vigour of his youth to disprove and dispel them. And he made many sensible and acute remarks on kindred topics. But he has been among the luckiest of authors, for he has connected his name with the foundation of a lasting science which he did not plan, and would by no means have agreed in.

This celebrity may seem over-fortunate, but it is explained by the circumstances of the time. The age in which he wrote was as much against the Godwinian illusions as Mr. Malthus could be. He and his father were but an instance of a general contrast between successive generations. The generation before 1789 was full of hope, and delighted with happy

schemes; that after it was terrified by the French Revolution, insensible to hope and ready for despair. To this change of sentiment Mr. Malthus effectually ministered, and beneath this want of the surface there was one much more real need, to which he was of use also. An immense tide of sentiment favoured the growth of population, no matter what the circumstances and what its means of subsistence. Mr. Pitt, who was the most instructed statesman of the time on economic subjects, said that "the man who had a large family was 'a benefactor to his country'". And the old English Poor Law was simply a subsidy to the increase of paupers. Against such notions and such practices Mr. Malthus's views were a most admirable reaction. If there had been no such movement our agricultural districts would by this time have been a pauper warren. That his views were exaggerated, though a subsequent misfortune, was an immediate advantage. He advertised his notions and fixed them among the men who understood a simple and striking exaggeration far more easily than a full and accurate truth. He created an entirely new feeling on his subject.

"If we look," says Mr. Carlyle, "at the old Poor Law, we shall find it to have become still more insupportable, demanding, if England was not destined for anarchy, to be done away with." "To create men filled with a theory" that it ought to be done away with "was the one thing needful"; "nature had no readier way of getting it done away with". To this Mr. Malthus most essentially contributed. It was he who, more than any one else, "filled" men with that theory.

RICARDO.

The true founder of abstract Political Economy is Ricardo. And yet in seeming there was no one less likely to be the founder. He was a practical man of business, who had little education, who was for much of his life closely occupied in a singularly absorbing trade, and who made a fortune in that trade. Just as no one would have expected from Adam Smith, the bookish student, the practical sagacity with which every

page of *The Wealth of Nations* overflows, so no one would have expected from Ricardo, who made a large fortune, the foundation of a science of abstractions. Every one would, on the contrary, have imagined that Adam Smith would have been eminent in the abstractions among which his closet-life would seem to have been spent, and that Ricardo would have been eminent in the rough and rude sense which makes money. But, in fact, Ricardo arrives at his best conclusions by the most delicate and often difficult reasoning, and Adam Smith, as we have seen, at his by an easy and homely sagacity.

There is much in this, as in all such cases, which now is, and probably will always remain, inexplicable; for the most obscure and subtle of causes are those which fix inherited genius. But, just as in Adam Smith's case, a more exact survey of the circumstances tends to diminish our surprise. The trade in which Ricardo spent his life, and in which he was so successful, is of all trades the most abstract. Perhaps some people may smile when they hear that his money was made on the Stock Exchange, which they believe to be a scene of gambling. But there is no place where the calculations are so fine, or where they are employed on *data* so impalpable and so little "immersed in matter". There is a story that some dealer made very many thousand pounds by continued dealings in the shares of some railway, and then on a sudden asked where that railway was. The whole thing had been a series of algebraic quantities to him, which called up no picture, but which affected a profit and loss account. In most kinds of business there is an appeal of some sort to the senses; there are goods in ships or machines; even in banking there is much physical money to be counted. But the Stock Exchange deals in the "debts," that is the "promises," of nations, and in the "shares" of undertakings whose value depends on certain future dividends—that is, on certain expectations—and what those expectations are to be, is a matter of nice calculation from the past. These imponderable elements of trade cannot be seen or handled, and the dealing with them trains the mind to a refinement analogous to that of the metaphysician. The

ordinary human mind finds a great rest in fixing itself on a concrete object, but neither the metaphysician nor the stock-jobber has any such means of repose. Both must make their minds ache by fixing them intently on what they can never see, and by working out all its important qualities and quantities. A stock-jobber loses money, and in the end is ruined, if he omits any, or miscalculates any. If any man of business is to turn abstract thinker, this is the one who should do so. Any careful reader of Ricardo, who knows anything of such matters, and who watches the anxious penetration with which he follows out rarefied *minutiæ*, will very often say to himself, "I see well why this man made a fortune on the Stock Exchange".

For this trade Ricardo had the best of all preparations—the preparation of race. He was a Jew by descent (his father was one by religion), and for ages the Jews have shown a marked excellence in what may be called the "commerce of imperceptibles". They have no particular superiority in the ordinary branches of trade; an Englishman is quite their equal in dealing with ordinary merchandise, in machine-making, or manufacturing. But the Jews excel on every Bourse in Europe; they—and Christian descendants of their blood—have a pre-eminence there wholly out of proportion to their numbers or even to their wealth. Some part of that pre-eminence is, no doubt, owing to their peculiar position as a race; for nearly two thousand years they have been a small nation diffused over a vast area; that diffusion has made them the money-lenders for most of the nations with whom they lived; and the exchange of money between country and country is a business of fine calculation, which prepared them for other fine calculations. This long experience has probably developed a natural aptitude, and it would be idle to distinguish what is due to the one in comparison with the other. The fact remains that the Jews have now an inborn facility in applying figures to pure money matters. They want, less than other nations, a visible commodity which they can imagine, if not touch; they follow with greater ease and greater nicety all the minute fractions on

which this subtle commerce depends (a task which is a particular torture to most Englishmen), and they make money as the result. The writings of Ricardo are unique in literature, so far as I know, as a representative on paper of the special faculties by which the Jews have grown rich for ages. The works of Spinoza, and many others, have shown the power of the race in dealing with other kinds of abstraction; but I know none but Ricardo's which can awaken a book-student to a sense of the Jewish genius for the mathematics of money-dealing. His mastery over the abstractions of Political Economy is of a kind almost exactly identical.

The peculiar circumstances of his time also conducted Ricardo to the task for which his mind was most fit. He did not go to Political Economy—Political Economy, so to say, came to him. He lived in the "City" at a time when there was an incessant economic discussion there. He was born in 1772, and had been some years in business in 1797, the year of the celebrated "Bank restriction," which "restricted" the Bank of England from paying its notes in coin, and which established for the next twenty years in England an inconvertible paper currency. As to this—as to the nature of its effect, and even as to whether it had an effect—there was an enormous amount of controversy. Ricardo could not have helped hearing of it, and after some years took an eager part in it. Probably, if he had not been led in this way to write pamphlets, he would never have written anything at all, or have got the habit of consecutive dealing with difficult topics, which is rarely gained without writing. He had only a common school education, and no special training in such things. But it is the nature of an inconvertible currency to throw the dealings between other countries and the country which has it, into confusion, and to change the price of all its securities. As Ricardo was a jobber on the English Stock Exchange for the whole time during which the notes of the Bank of England were inconvertible, his daily business must have constantly felt the effect.

Having been thus stimulated to write pamphlets on the one great economic subject of his day, Ricardo was naturally

led to write them also on the other great one. At the close of the war the English Parliament was afraid that corn would be too cheap; the war had made it dear, and probably when peace came it would cease to be dear. And therefore, in its wisdom, Parliament passed "Corn Laws" to keep it dear. And it would have been difficult for a keen arguer and clear thinker like Ricardo to abstain from proving that Parliament was wrong. And, accordingly, he wrote some essays which would be called "dry and difficult" now, but which were then read very extensively and had much influence.

Political Economy was, indeed, the favourite subject in England from about 1810 to 1840, and this to an extent which the present generation can scarcely comprehend. Indeed, old people are puzzled for an opposite reason; they can hardly understand the comparative disappearance of what was the principal topic in their youth. They mutter, with extreme surprise, "we hardly hear anything now about Political Economy; we used to hear of nothing so much". And the fundamental cause is the great improvement in the condition of the country. For the thirty years succeeding the peace of 1815 England was always uncomfortable. Trade was bad, employment scarce, and all our industry depressed, fluctuating, and out of heart. So great is the change of times, that what we now call bad trade would then have seemed very good trade, and what we now call good trade would have been too good to be thought of—would have been deemed an inconceivable Elysian and Utopian dream. So long as this misery and discomfort continued, there was a natural curiosity as to the remedy. Business being bad, there was a great interest in the "science of business," which ought to explain why it was thus bad, and might be able to show how it was to be made good. While the economic condition of countries is bad, men care for Political Economy, which may tell us how it is to be improved; when that condition is improved, Political Economy ceases to have the same popular interest, for it can no longer prescribe anything which helps the people's life. In no age of England, either before or since, could a practical man of business, like Ricardo, have had so many

and such strong influences combining to lead him towards Political Economy as in Ricardo's own time.

And there was at that time a philosophical fashion which was peculiarly adapted to make him think that the abstract mode of treating the subject which was most suitable to his genius was the right mode. It was the age of "philosophical Radicalism," a school of philosophy which held that the whole theory of Political Government could be deduced from a few simple axioms of human nature. It assumed certain maxims as to every one's interest, and as to every one always following his interest, and from thence deduced the universal superiority of one particular form of Government over all others. "Euclid" was its one type of scientific thought, and it believed that type to be, if not always, at least very often, attainable. From a short series of axioms and definitions it believed that a large part of human things, far more than is really possible, could be deduced. The most known to posterity of this school (and probably its founder) was Mr. Bentham, for the special value of his works on jurisprudence has caused his name to survive the general mode of political thinking, which he was so powerful in introducing. But a member of the sect, almost equally influential in his own time, was Mr. James Mill, of whom his son has given us such a graphic picture in his biography. This austere dogmatist thought that the laws of Government and of human happiness might be evolved from some few principles, just as a Calvinistic theologian evolves a whole creed of human salvation from certain others. Mr. Grote, who belonged for the best years of his life to the sect, and whose writings and tone of mind were profoundly tinctured by its teaching, has left us a vivid description of Mr. James Mill, who seems to have influenced him far more than any one else. And an equally vivid picture may still be found in the reminiscences of a few old men, who still linger in London society, and who are fond of recalling the doctrines of their youth, though probably they now no longer believe them. James Mill must have pre-eminently possessed the Socratic gift of instantaneously exciting and permanently impressing the minds of those around him.

I do not know in what manner Ricardo and James Mill became acquainted, except that John Mill says it was through Bentham, who was a rich man, and, though a recluse, made for many years his house a sort of castle. John Mill tells us also that James Mill considered the friendship of Ricardo to have been the most valuable of his whole life. To a genius like Ricardo, with Ricardo's time and circumstances, the doctrines of James Mill must have come like fire to fuel; they must have stimulated the innate desire to deduce in systematic connection from the fewest possible principles, the truths which he had long been considering disconnectedly. If Ricardo had never seen James Mill he would probably have written many special pamphlets of great value on passing economic problems, but he would probably not have written *On the Principles of Political Economy and Taxation*, and thus founded an abstract science; it takes a great effort to breathe for long together the "thin air" of abstract reasoning.

It must be remembered that Ricardo was in no high sense an educated man. As far as we know he had not studied any science, and had no large notion of what science was; without encouragement from a better-trained mind he most likely would not have attempted any purely scientific effort. To the end of his days, indeed, he never comprehended what he was doing. He dealt with abstractions without knowing that they were such; he thoroughly believed that he was dealing with real things. He thought that he was considering actual human nature in its actual circumstances, when he was really considering a fictitious nature in fictitious circumstances. And James Mill, his instructor on general subjects, had on this point as little true knowledge as he had himself. James Mill, above all men, believed that you could work out the concrete world of human polity and wealth from a few first truths. He would have shuddered at our modern conception of Political Economy as a convenient series of deductions from assumed axioms which are never quite true, which in many times and countries would be utterly untrue, but which are sufficiently near to the principal conditions of the modern world to make it useful to consider them by themselves. At that time economists

indulged in happy visions; they thought the attainment of truth far easier than we have since found it to be. They were engaged in a most valuable preliminary work, one which is essential to the conception of the phenomena of wealth in such an age as this, or in any age in which free industry has made much progress; but after this preliminary work is finished there is a long and tedious time to be spent in comparing the assumptions we have made in it with the facts which we see, and in adding the corrections which that comparison suggests; and only at the end of this dull task can we leave mere reasoning and come to life and practice.

Little is known of Ricardo's life, and of that little only one thing is worth mentioning in a sketch like this—that he went into Parliament. He had retired with a large fortune from business comparatively young, not much over forty, as far as I can make out, and the currency and other favourite economic subjects of his were so much under discussion in Parliament, that he was induced to enter it. At present an abstract philosopher, however wealthy, does not often enter Parliament; there is a most toilsome, and to him probably disagreeable, labour to be first undergone—the canvassing a popular constituency. But fifty years ago this was not essential. Ricardo entered Parliament for Portarlington, which is now the smallest borough in Ireland, or indeed, in the whole United Kingdom, and which was then a mere rotten or proprietary borough, and no doubt Ricardo bought his seat of the proprietor. He was well received in the House, and spoke with clearness and effect on his own subjects. He is said to have had in conversation a very happy power of lucid explanation, and he was able to use the same power in a continuous speech to an assembly. His wealth, no doubt, gave him a facility in acquiring respect. Parliament, like every other collection of Englishmen, is much more ready to trust a rich man about money than a poor one.

The most curious characteristic of Ricardo's political career was his zeal to abolish the means by which he entered Parliament; he was most anxious for a Parliamentary Reform much resembling in principle that of 1832. And in this he agreed with most of the sensible men of his time. The narrow-

mindedness and the want of capacity with which the Tory party had governed the country since the peace, are now only known to us from history, and are not easily believed by those who have not carefully studied that history. As was the tree, so were its fruits; the Government seemed to be one which must hurt a country, and in fact the country was, if not very unhappy, at any rate most uncomfortable. The best cure seemed to be a change of rulers, by a large addition to the popular element in the Government. And, as we now know, this has been effectual. The country has been far happier under the new system than under the old, and the improvement has been greatly due to the change; we could not have had Free Trade before 1832, and it is Free Trade which more than any other single cause makes us so happy. The change in popular comfort has been greater than Ricardo or than any one of his generation could have imagined. But we have had to pay a good price for it, and one of the items in that price is the exclusion of philosophers from Parliament. Such a thinker as Ricardo, with the unflinching independence which characterised Ricardo, would be impossible in our recent Parliaments. No popular constituency would consent to elect such a man, nor would he consent to ask them.

Very little is now to be learnt of Ricardo's ordinary life. We know that he had a mind—

> keen, intense, and frugal,
> Apt for all affairs.

And we know little else. A well-authenticated tradition says that he was most apt and ready in the minutest numerical calculations. This might be gathered from his works, and, indeed, any one must be thus apt and ready who thrives on the Stock Exchange. A less authorised story says that he was a careful saver of small sums—"one of those people who would borrow a pamphlet, price sixpence, instead of buying it," notwithstanding that he was a rich man. We also know, as has been said, that he was very happy in orally explaining his doctrines, and they are by no means easy to explain in that way. He must have been most industrious, for he died

at fifty-two; and either the thinking which he did, or the fortune which he made, would be generally esteemed even by laborious men, a sufficient result for so short a life.[1]

THE GROWTH OF CAPITAL.

The conclusion that English Political Economy is an analysis only of industrial societies which are to a certain extent developed, will be strengthened by a consideration of the doctrines which that Political Economy teaches us as to one of the principal parts of the subject—the theory of the growth of capital. Our Political Economy does not recognise that there is a vital distinction between the main mode in which capital grows in such countries as England now, and the mode in which it grew in all countries at first.

The principal way in which capital increases in England now, is by abstinence from enjoyment. We receive our incomes in money, and either we spend them on our enjoyments, in which case capital is not increased, for our incomes are all gone and no new productive thing is made, or we abstain from enjoyment and put our money into trade ourselves, supposing that we are in trade, and supposing that we are not in trade, lend it to those who are. The productive part of wealth —the wealth which creates other wealth—is augmented mainly by our not enjoying our incomes.

But there is another mode of augmenting capital of which Defoe gives us, perhaps, a more vivid notion than we can get elsewhere. "I cannot say," says Robinson Crusoe, "that after this, for five years, any extraordinary thing happened to me; but I lived on in the same course, in the same posture and place just as before; the chief thing I was employed in, besides my yearly labour of planting my barley and rice, and curing my raisins, of both which I always kept up just enough to have

[1] [Mr. Bagehot had intended, as the reader will have seen, to give an estimate of J. S. Mill similar to those of Malthus and Ricardo. As he did not carry out this intention, I think it well to give some brief passages from a shorter paper on Mill, written on the occasion of his death, which contain Mr. Bagehot's general view of Mill's economic position. These will be found in the Appendix Note B page 284, at the end of this volume.—EDITOR.]

sufficient stock of the year's provisions beforehand: I say, besides this yearly labour, and my daily labour of going out with my gun, I had one labour to make me a canoe, which at last I finished; so that by digging a canal to it, six feet wide and four feet deep, I brought it into the creek, almost half a mile. As for the first, that was so vastly big, as I made it without considering beforehand, as I ought to do, how I should be able to launch it; so never being able to bring it to the water, or bring the water to it, I was obliged to let it lie where it was, as a *memorandum* to teach me to be wiser next time. Indeed the next time though I could not get a tree proper for it, and was in a place where I could not get the water to it, at any less distance than, as I have said, of near half a mile; yet as I saw it was practicable at last, I never gave it over; and though I was near two years about it, yet I never grudged my labour, in hopes of having a boat to go off to sea at last." But in this case there was evidently no abstinence from enjoyment. Robinson Crusoe had only the bare means of subsistence: he had no pleasant things to give up; but he employed his time and labour in making a vessel, a piece of capital, if ever there was one.

Just similar is the practice of primitive societies. When a savage in the stone age made a flint implement he relinquished no satisfaction. Having nothing else to do he made a tool, which has been the beginning of all other tools. "Mankind," says a recent writer,[1] "may have discovered how to manufacture earthen vessels in various ways. Sir John Lubbock points out that Captain Cook saw stones surrounded with a rim of clay in use among the Aleutians on Unalashka; but this might be an imitation of European vessels with which the islanders had already become acquainted through Russian sailors. The practice of the Australians on the Lower Murray River, of puddling holes in the earth with clay and cooking food in them, might perhaps have led an inventive mind to the manufacture of earthen vessels. But the process is better explained by the account of the French sailor Gonneville, who,

[1] Oscar Peschel's *Races of Man and their Geographical Distribution*, p. 168.

in 1504, landed on a South Atlantic coast, probably in Brazil.[1] He describes certain wooden vessels in use among the natives (in whom D'Avezac fancies that he recognises Brazilian Carijo) enveloped in a coating of clay as a protection from the fire.[2] If by chance the wooden bowl separated itself from the covering of clay, an earthen vessel would remain. In examining the site of an old pottery manufactory of the Red Indians on the Cahokia, which falls into the Mississippi below St. Louis, Carl Rau discovered half-finished vessels, that is to say, baskets of rushes or willow, lined inside with clay."

These primitive potters had no luxuries to forgo, and had no "income" to spend on luxuries. They simply had spare time and unused handiness, and with this they made the first pots, which were the beginning of all pots—the ancestors first of the tea kettle and then of the condensing engine.

In the same way there was no sacrifice of pleasure in the greatest source of early capital—the taming of animals; on the contrary, according to the most probable theory, there was a new pleasure in taming them which did not require the surrender of any old pleasure.

Mr. Galton has shown that in all probability the taming of animals began, not in the restraining of any impulses, but in the indulgence of some very simple ones.[3] "The domestication of animals," he tells us, "is one of the few relics of the past whence we may reasonably speculate on man's social condition in very ancient times. We know that the domestication of every important member of our existing stock originated in prehistoric ages, and, therefore, that our remote ancestors accomplished in a variety of cases, what we have been unable to effect in any single instance. The object of my paper is to discuss the character of ancient civilisation, as indicated by so great an achievement. Was there a golden age of advanced enlightenment? Have extraordinary geniuses arisen who severally taught their contemporaries to tame and domesticate

[1] Pierre Margry, *Les Navigations Françaises*, 1867.

[2] D'Avezac, *Voyage du Capitaine Gonneville*, 1869.

[3] *Domestication of Animals*, by Francis Galton, F.R.S. Reprinted from the *Transactions of the Ethnological Society*, 1865, p. 1.

the dog, the ox, the sheep, the hog, the fowl, the camel, the llama, the reindeer, and the rest? Or again, Is it possible that the ordinary habits of rude races, combined with the qualities of the animals in question, have sufficed to originate every instance of established domestication? The conclusion to which I have arrived is entirely in favour of the last hypothesis. My arguments are contained in the following paper; but I will commence by stating their drift, lest the details I introduce should seem trifling or inconsequent. It will be this: all savages maintain *pet* animals, many tribes have *sacred* ones, and kings of ancient states have *imported* captive animals, on a vast scale, from their barbarian neighbours. I infer that every animal, of any pretensions, has been tamed over and over again, and has had numerous opportunities of becoming domesticated. But the cases are rare in which these opportunities can lead to any result. No animal is fitted for domestication unless it fulfils certain *stringent conditions*, which I will endeavour to state and to discuss. My conclusion is, that all domesticable animals of any note, have long ago fallen under the yoke of man. In short, that the animal creation has been pretty thoroughly, though half unconsciously, explored, by the every-day habits of rude races and simple civilisations."

And after enumerating the qualities which a tameable animal must possess, which are hardiness, fondness for man (which some animals now used have, while others have not), desire of comfort, easiness to tend, willingness to breed, and usefulness to the human race, he adds:[1] "The utility of the animals, as a store of future food, is undoubtedly the most durable reason for maintaining them; but I think it was probably not so early a motive as the chief's *pleasure in possessing* them. That was the feeling under which the menageries, described above, were established. Whatever the despot of savage tribes is pleased with, becomes invested with a sort of sacredness. His tame animals would be the care of all his people, who would become skilful herdsmen under the pressure of fear. It would be as much as their lives were worth if one of

[1] *Domestication of Animals*, by Francis Galton, F.R.S. Reprinted from the *Transactions of the Ethnological Society*, 1865, p. 14.

the creatures were injured through their neglect. I believe that the keeping of a herd of beasts, with the sole motive of using them as a reserve for food, or as a means of barter, is a late idea in the history of civilisation. It has now become established among the pastoral races of South Africa, owing to the traffickings of the cattle traders, but it was by no means prevalent in Damara-Land when I travelled there twelve years ago. I then was surprised to observe the considerations that induce the chiefs to take pleasure in their vast herds of cattle. They were valued for their stateliness and colour, far more than for their beef. They were as the deer of an English squire, or as the stud of a man who has many more horses than he can ride. An ox was almost a sacred beast in Damara-Land, not to be killed except on momentous occasions, and then as a sort of sacrificial feast, in which all bystanders shared. The payment of two oxen was hush-money for the life of a man. I was considerably embarrassed by finding that I had the greatest trouble in buying oxen for my own use, with the ordinary articles of barter. The possessors would hardly part with them for any remuneration; they would never sell their handsomest beasts." And he concludes: "I see no reason to suppose that the first domestication of any animal, except the elephant, implies a high civilisation among the people who established it. I cannot believe it to have been the result of a preconceived intention, followed by elaborate trials, to administer to the comfort of man. Neither can I think it arose from one successful effort made by an individual, who might thereby justly claim the title of benefactor to his race; but, on the contrary, that a vast number of half-conscious attempts have been made throughout the course of ages, and that ultimately, by slow degrees, after many relapses, and continued selection, our several domestic breeds became firmly established."

This theory is one of the most valuable fruits of that contact of the most cultivated living minds with the least so—of men of science with savages, which is characteristic of this generation. And though its details may be modified, its essence seems certain, and it shows that this great form of early capital, the *live* form, did not begin with abstinence at all.

Even in such times as are described in the Book of Genesis —the specially pastoral times—abstinence was not the main source of capital. When we are told that the flocks and herds of certain patriarchs "grew and multiplied exceedingly," those patriarchs were sacrificing nothing. They had enough to eat and to drink—the women of their household made their clothes —they had few other conscious wants, and still fewer means of supplying those which they had. The vast increase of animal power which helped on after-wealth so much, had probably its origin in the pride of the eye, in the love of the spectacle of wealth, as much as in anything. Abraham and Jacob were pleased to see "their cattle wax great and cover the whole land," and, therefore, they let them cover it. There was no luxury to them equal to this. There was not even a competing one.

Another analogous source of capital in early times was making slaves and breeding slaves. Yet neither in the capture nor in the breeding was there any kind of relinquishment of enjoyment. The slaves were gained in the fortune of war, and and if A had not enslaved B, B would have enslaved A. The joy of the combat was, perhaps, the greatest known in those times. And even in the cruellest times it was probably pleasanter to spare the life of the captive than to take it.

A similar source is marriage, which, indeed, is all but the same, for even the highest wives of primitive ages worked in the house, much like slaves, and the concubines, who really were slaves, were but faintly divided from these wives. But it would be absurd to call keeping a harem a kind of abstinence, though harems were a great form of capital, and the members of them made a great deal of wealth.

The reason why we now so closely connect "abstinence" with capital is, that the final product of our industry is almost always received in what I may call an "optional" medium. Almost all our wealth is created to be exchanged, and that exchange is effected by means of money; we can either use that money to buy perishable things which produce nothing, or we can "invest" it, as we say, in some producing business, or lend it to some one—generally to some one engaged in production

—who will pay an interest upon it. But in a state of society where things are *not* created to be exchanged, "abstinence" plays no such constant part. Men must, it is true, abstain from eating the food which is necessary for their subsistence hereafter, and the food so obtained is, certainly, "capital" obtained by abstinence. But most permanent things which are made are like the "flint implement," and the primitive clay vessel, things which contribute to daily comfort because they are in daily use. The industry which created them never assumed an optional form, it was from the beginning fixed in the particular form in which it was created; neither can be sold or exchanged, for we are supposing a state of society in which there is no exchange or sale.

A primitive patriarchal society is in fact very like this. Either exchange or sale was a very rare act in the lives of such persons as Lot or Abraham. They rarely saw any one to exchange with. They rarely went down into Egypt to buy anything; they rarely saw any sort of travelling merchant to whom they could sell anything. The life of such persons is a life of production, not for sale, but for use, as far as it is a life of production at all.

Hire is a still rarer phenomenon at such a period. Hire as a rule involves proximity of residence, so that the lender may be sure the hirer will return his article. If the borrower goes off to an unknown distance no one can be sure that he will do so. Nor for the most part is *trust*, which is essential in a loan, developed in societies till men have long lived near together, till they have learnt to know one another, and till they have created some sort of law, or formed some effectual custom which partly punishes and partly prevents bad faith. The diffused habit of lending things, which is the basis of so much of modern industry, is in truth a habit hard to diffuse, and one which the earliest men could not learn.

Nor even when the hire of capital does begin to be an important part of industrial organisation is there necessarily any abstinence from enjoyment in the possessor. Sir Henry Maine describes, in his *Early Institutions*, a condition of Irish society which was based on the loan of "cattle"—the main capital

then existing—in which there was no abstinence in the lender at all. "Every considerable tribe," he tells us, "and almost every smaller body of men contained in it, is under a chief, whether he be one of the many tribal rulers whom the Irish records call kings, or whether he be one of those heads of joint families whom the Anglo-Irish lawyers at a later date called the Capita Cognationum. But he is not owner of the tribal land. His own land he may have, consisting of private estate or of official domain, or of both, and over the general tribal land he has a general administrative authority, which is ever growing greater over that portion of it which is unappropriated waste. He is meanwhile the military leader of his tribesmen, and, probably in that capacity, he has acquired great wealth in cattle. It has somehow become of great importance to him to place out portions of his herds among the tribesmen, and they on their part occasionally find themselves through stress of circumstance in pressing need of cattle for employment in tillage. Thus the chiefs appear in the Brehon law as perpetually "giving stock," and the tribesmen as receiving it. The remarkable thing is, that out of this practice grew, not only the familiar incidents of ownership, such as the right to rent and the liability to pay it, together with some other incidents less pleasantly familiar to the student of Irish history, but, above and besides these, nearly all the well-known incidents of feudal tenure. It is by taking stock that the free Irish tribesman becomes the Ceile or Kyle, the vassal or man of his chief, owing him not only rent but service and homage."

Upon the very surface of this description it is palpable that the chieftain gave up no enjoyment when he hired out these cattle; he doubtless kept quite enough fully to feed himself with all his people, and after that he wanted no more. The power and place he gained by this *quasi* feudal use of them were the keenest kinds of pleasure then possible to him.

"Cattle" fill so subordinate a place in English industry that many English writers evidently never think of them when they speak of capital; they have in their minds the machines which they see; and they forget that once men bred capital more than they made it. Yet not only are cattle and capital,

of course, etymologically the same word, but cattle fill a very curious place in the history of the subject.

First,—They are a kind of capital at once co-operative and remunerative; they can be used either to aid labour or to reward it; they are both helps to industry and means of pleasure. Their vital force is the best of early machines, and their milk and their flesh are the greatest of primitive luxuries. There is scarcely anything which primitive labourers more desire, and scarcely anything which helps them so much. And it is very curious that the sort of capital which first bore the name, and etymologically is the beginning of all the rest, should be a link between, and combine, the nature of two things, now so dissimilar, that at first it hardly seems right that they should have the same name,—the bread which the labourer eats and for which he works, and the spindle or the loom with which he works.

Secondly,—Cattle unquestionably, on account of this double desirability, are among the earliest forms of money, probably the very earliest in which "large transactions," as we should now speak, were settled. It was the first, or among the first, of "wholesale" moneys.

In this way, though English Political Economy often neglects the use of cattle as capital, and though some of its doctrines are inapplicable to "cattle" in the primitive condition of industry, cattle have nevertheless been a main agent in creating the developed state of industry in which English Political Economy was thought out, and to which alone it is entirely applicable. Cattle rendered possible primitive agriculture, which first kept men close together, and so made the division of labour possible; were the beginning of "wages-paying capital" which that "division" first requires and then extends; were among the first things hired, and the first money. We should be careful to watch in this single article the transitions of industry, for the so doing may save us from the greatest of all mistakes, that of riveting as a universal form upon all societies axioms only fitting societies like our own.

These illustrations might be multiplied almost endlessly, but what have been given are enough to prove that capital is

created by any series of acts by which men make, or bring into existence, useful things, and that only some of these acts are accompanied by abstinence, while others are not.

Thirdly,—Neither is the loan of capital always accompanied by abstinence; it may or may not be according to circumstances.

. . . . . .

If, to simplify the matter, we look at the state of things which is going on around us, we see that capital augments in this way. People's incomes are paid in money; out of that money some is spent on necessary subsistence, some on temporary enjoyment, and some on durable means of comfort; the rest is left in "money," and this we call the saving, the new "capital". The amount of it depends on three elements, first, and evidently, on the amount of the income out of which the saving is to be made; secondly, on the degree in which future wants preponderate over present ones; and lastly, on the *efficiency* of saving, the *success* it obtains.

The first and greatest future want is what I may call the "old stocking" one, that is, the craving to have some stock of money laid against the unknown future. The strength of this craving differs much in various races of men; and, as a rule, the strong races, used to prosperity, have much less of it than the weak ones familiar with adversity. You will find much more laid up in the cabin of an Irish peasant than in the cottage of an English artisan, though the latter has five times the greater means. And this is natural, because the English artisan believes, and probably believes with truth, that he is sure to be able to earn money; whereas the Irishman's notions are based on a world where it has often been impossible to earn a farthing, and in which those ready to live even on potatoes could not get potatoes to live on. Even in higher life very considerable sums, for their circumstances, are often saved by timid, weak people. I know a case in which a sum of (I think) £120 was made up for a gentleman who had become incapacitated; he enjoyed it a few years, and when he died from £700 to £800 were found in his room. He always feared that his income, or part of it, might cease, and wanted to be able to live

if it did. Against all contingent evils this "stocking" fund is a resource, and against old age, the most likely of those evils. The next greatest—or probably an equally great—future want is the desire to provide for the next generation. People insure their lives who save in no other way. There is probably no greater anxiety in the world than the wish of parents to start children in the same level of life in which they started themselves, and few greater ambitions than to start them on a higher level. Lastly, there is the desire to be rich, especially in countries where wealth makes the man, where it not only buys commodities, but where without it some of the best unbought things —respect and deference—are not easy to be had. I need not enumerate the present wants which come into collision with these, nor go into any detail as to them.

But we must observe what is incessantly forgotten, that it is not a Spartan and ascetic state of society which most generates saving. On the contrary, if a whole society has few wants there is little motive for saving. The reserve, the old stocking store of those who want little, need only be small. Those who want to start their children with little, need save little; those who reckon £100 a year "riches," need not, and will not, deprive themselves of anything to obtain more; a state of society which encourages that feeling is not likely to be rich. Nothing is commoner than to read homilies on luxury, because it is a "waste of money," and "bad for the poor". But without the multifarious accumulation of wants which are called luxury, there would in such a state of society be far less saving than there is. If you look at the West-end of London with its myriad comforts and splendours, it looks at first sight like a mere apparatus for present enjoyment. And so far as the present feelings of those who live there go, it often is. Very many of the inhabitants are thinking only of themselves. But there is no greater benefit to the community for all that than this seemingly thoughtless enjoyment. It is the bait by which the fish is caught; it is the attraction by which capital is caught. To lead a bright life like that, at least that their children may lead it or something like it, many times as many as those who now live it, spare and save. And if it be good

for the poor that capital should be saved, then the momentary luxury which causes that saving is good for the poor. The analogy of animal life is reversed, for it is the butterfly which begins as the grub.

On the other side we must remember what, in books of Political Economy, is sometimes forgotten, that saving is not necessarily good. The capital may come too dear. A clergyman who gives his children a good education, does more really to increase wealth, not to say anything of anything else, than if he saved the money. The engineer, the lawyer, the physician, are in their various ways productive people; and the nation would have been poorer, not richer, if their father had kept the money which educated them, in order to leave them at his death so much more. The same may not be so conspicuously true of the daughters, but it is as much so really. A good mother of a family causes more wealth than half the men, for she trains from the beginning boys to be fit for the world, and to make wealth; and if she fails at that beginning the boys will be worse gold finders all their lives.

It must be observed, too, that there is an intellectual element in the matter. Besides the two kinds of wants, future and present, there is the faculty of making the comparison. And the habits of some people's lives fit them much more for this than those of others. An actor who is concerned with the momentary impression on passing audiences has nothing to bring the future close to him at all. An artisan has little more; his daily work passes with the day. But a capitalist in business has the future for ever brought home to him. He has to look into the future, perhaps a distant one, for the profit on the goods which he buys, and to find in the near future the money with which these goods are to be paid for. The first thing in his mind is a list of "acceptances" soon to be provided for; the next is the balance-sheet to be made up sometime hence. A banker, above all men, incessantly lives in the future. He is, or ought to be, for ever thinking how he should pay his deposits if he were asked for them; he must think daily how he will find means for the current demands of every day. He too has a balance-sheet to be looked to upon the results of which he will have to live. A

man thus living in the future, has a greater disposition to provide for it. And this is the one main reason why the man of business, of whatever species—the manufacturer, the merchant, or the banker—will save much more than any kind of person who lives upon the fruits of a momentary skill or talent.

In many minds this feeling coalesces with the "old stocking want"—that is to say, the desire to provide for definite engagements, those engagements being an incessant series, passes into and is blended with the desire to provide for the unknown. The pecuniary classes have a general feeling of "liability" about their minds to which other classes are strangers. And justly, because their risks, not only their known, but their unknown ones, are greater. I once heard a very experienced man lay down this principle: "A man of business," he said, "ought not to be over cautious; he ought to take what seem good things in his trade pretty much as they come; he won't get any good by trying to see through a mill-stone. But he ought to put all his caution into his 'reserve fund'; he may depend on it he will be 'done' somehow before long, and probably when he least thinks it; he ought to heap up a great fund in a shape in which he can use it, against the day at which he wants it." It is the disposition so generated, which is in a trading nation among the strongest motives to save.

Besides these two factors in the growth of capital, the amount of the income out of which saving has to be made, and the disposition to sacrifice what is present to what is future, there is, I have said, a third, *viz.*, the efficiency of saving in creating capital. There is a whole scale of various degrees of this efficiency in actual life. At the bottom is the brisk peasant who puts away his money into an old stocking, who has no means of employing it, who will not trust any one else with it. Here, all that the saving of £10 will produce is £10; it is sure never to get any more. At the top of the scale is the able capitalist in a large and growing business; every penny he can put into it yields him a high profit, because he gets an income from unusual ability, unusual opportunity, as well as the common rate. Such a man will almost always save more than others, because he has a far greater reward *per cent.* for saving it. The rate of profit

depends on the efficiency of industry. When more is made at less cost, the profit is greater; when less at greater, the profit is less. I am not sure whether, to many minds, this language will not present a difficulty. I know it long did so to my own. I was conscious of a haze about it. "It is stated," I said to myself, "that there is 'more' of something or other, but of *what* is there more?" And I could not answer the question very well. More "exchangeable value," more "money's worth," were the natural answers, but I was not satisfied that they were the complete ones. We must analyse a little further. The easiest case to analyse is the gold-mining, the money-making business. If 10,000 sovereigns are invested in gold-mining—in paying wages, in buying machinery, and in accompanying expenses—and if that produce per annum, gold, which can be made into £11,000, this measures the rate of profit in the country. If the efficiency of industry were less, so many additional sovereigns would not be produced; if more, a proportionately greater number would be produced. In the profit of all trades there is the same fundamental fact; an addition to the "exchangeable value" of the commodities of a country; but in the profit of the gold-mining business we can see that fact most easily, because we can take the capital before it is invested as so much gold, and it comes back as that much, *plus* some more. In other cases there is a change necessary into money; in this case the profit palpably results from the mere production.

We must observe, however, that this profit in the gold-mining trade is only a measure of the general rate of profit in the country, and of the general efficiency of industry which causes that rate; it has no peculiarity about it, except that which has been said. If the profit in this trade were more than in any other, capital would go thither, the production of gold would augment, and prices, measured in gold, would rise. This would raise the price of gold-mining machinery, the rate of gold-miners' wages, and all the incidental out-goings of the trade. And, as the number of sovereigns, which that "machinery" and those "miners" could produce is not increased, the profit in the trade will fall. And the reverse will happen if that profit be less. A contrary series of changes will make it rise.

In a country in which the productive arts are high, other things being equal, profits will be high also. If the outlay of the capitalist on all means of production is the same, his remuneration will be greatest where most is produced. Suppose by a sudden series of inventions the productive power of industry were augmented in all trades ten per cent. (including the gold-mining trade, so that we may be clear of all questions as to money and price), the revenue of the capitalist would be augmented by that ten per cent., on condition of course of his outlay in all ways remaining the same, including that on wages; and his power of saving would be augmented equally.

Single sudden inventions which help in everything, do not happen, but the general progress of the productive arts in the last thirty years has been very like it, as far as effects go. Almost everything has been made more easily; many things far more easily. Even the growth of raw produce for sale has been facilitated, if not as much as some other things, yet still very much. Railways have made land which was far from the market able to compete with that near it. The daily subsistence of such a city as London would have been excessively costly in the pre-railway time, perhaps it would have been impossible. The amount of things produced on purpose to be exchanged now, as compared with fifty years ago, is so much increased that our fathers would not have comprehended it or believed it. The rise of prices would have been enormous, if the same extension of productive power had not extended to the money trades, to gold and silver. For many years before 1840 the production of these metals had been excessively slow, and their value was rising. Mr. Jevons thinks "that prices had on the average fallen between the years 1820 and 1844 in the ratio of 103 to 69, or by 33 per cent., whereas between 1844 and 1857 they rose in the ratio of 69 to 85, or by about 23 per cent.".[1] Thus the effect of the great gold discoveries consisted more in arresting the previous continuous *appreciation* of the precious metals than in causing a positive depreciation. Indeed,

[1] *Journal of the London Statistical Society*, vol. xxviii., p. 315.

in 1863, Mr. Jevons stated the depreciation of gold at the very moderate amount of 13 to 16 per cent.[1]

If the increase in the productive power of general industry had come upon an age straitened as to money-making industry, the fall of prices would have been such as we have no example of, and the effects would have been harassing and confusing. But fortunately the production of gold and silver has been even more facilitated than that of most other things. There has been no such confusing fall of prices, as, except for the new discoveries of gold in California and Australia, there would have been. The effect of the productiveness of industry has been greatly to retard and almost to prevent the equally confusing rise of prices, which would otherwise have happened. The productive power of men of business has thus been incalculably augmented, and with that their saving power.

The second main source of capital in the present day is the saving of men—of persons out of business. Such persons not being able to make anything themselves must put such part of their income as they wish to save into the hands of others, and far the most important way in which they do this is by lending. They lend it on interest, and what they can save varies, other things being the same, with that interest. What then will that amount be? This is determined as other market prices are determined.[2]

The most important factors in fixing it are the amounts of money to be lent, and the amounts which borrowers are willing to borrow upon such security as the lenders are willing to accept. The most important of these borrowers are men of business. These will be most anxious to borrow money when the rate of profit is high, and when, therefore, they can employ it to the most advantage; at such times they will strain every nerve to obtain as much as possible. But in the earlier states of industry they have great difficulty in obtaining it. They have no security which will satisfy those who wish to lend. In such epochs, the only sort of "security," the only way in which the borrower can make the lender sure of his money, is by

[1] *Serious Fall in the Value of Gold*, etc., p. 30.

[2] See Appendix, Note A on Market Price, p. 279.

depositing with him fixed property, or at least giving him the control over it. He must pledge movables, or transfer the *indicia* of ownership over immovables. But in such a commercial civilisation as ours, there is an immense and very powerful machinery for conducting the money of the accumulating class into the hands of the using class. Bankers and bill-brokers form a class whose business it is to know the credit of different persons, and to say when and how far they singly, or together, can be trusted. Millions are lent in this country upon bills of exchange with only two signatures—that is, upon an order to pay money accepted by the person to whom it is addressed, and which the person who gives the order engages to pay if the other does not. The money is, therefore, in fact, advanced on an estimated probability that one or other of these two persons will pay, of which the skilled advancing class—the bankers and the bill-brokers—form their judgment. We are so familiar with it that we forget how marvellous it is. But probably our modern civilisation, notwithstanding its railways, telegraphs, and other like things, has nothing similar. That an endless succession of slips of written promises should be turned into money as readily as if they were precious stones, would have seemed incredible in commerce till very recent times. Our ancestors would have understood that something like it might happen with the promises of a few millionaires or Governments, but they would have never thought it possible that such an infinity of names could be known, or promises estimated. And the wonder is greater because they are not estimated equally; the relative possibility of different "parties" not paying is materially determined to the minutest gradations; and a bill is done at $3\frac{7}{8}$ or 4 per cent. accordingly. The intermediate dealers—the bill-brokers and bankers—live upon this knowledge; they gain if they are right, and are ruined if they are often much wrong; and, therefore, they *are* right. Through these expedients an immense tide of money flows into commerce at most times, though occasionally they are impaired, and it is impeded.

Our commercial civilisation also tends more and more to improve the means by which actual property can be pledged.

The *indicia* of ownership are made more easily transferable. The English law of real property does not bear a very good reputation, but it is indisputable that in this respect it is more advanced than any similar law in the world. In the last century the Courts of Equity decided that the deposit of title-deeds with, or even without, a written memorandum was an adequate security for a loan. And on this sort of "equitable" mortgage a very large sum is lent for short periods, especially by country bankers, who know the people to whom, and the land on which, they are lending. Most individual transactions of this sort are small, but the sum total is very great. Dock and warehouse warrants for goods deposited are also fruits and indications of a highly improved commercial state. They, and all similar means of pledging property, tend to augment the borrowing power of men of business, and so to raise the rate of interest.

Besides men of business, who borrow in order to *make*, a large class of people borrow in order to *hold*. The pride and pleasure of possessing property are so great that people will very often pledge that property in order to obtain it. A large part of the titles of our richest landowners are mortgaged in this way to "insurance offices," who have much money constantly to lend. The arrangement suits both parties, for no one knows of the loan; as the insurance office is permanent, the loan is rarely called in, and thus the landowner gets the pomp of ownership, while the office enjoys the perfection of a security.

There is also a class of persons who borrow in order to spend, that is, to spend the principal (for all borrowers spend the interest, else they would not want to borrow). In such countries as England, where the producing and the preserving classes are such large borrowers, the demand of spendthrifts has but little influence on the rate of interest. It is overpowered by the comparative greatness of other demands. But in simpler states of society the demand of the "prodigal" fills a conspicuous place in the money market, and in some of the books which have come down to us from those early times he seems the principal borrower that is thought of. But the growth of civilisation, though diminishing this species of spending bor-

rowers, creates another much more efficient species. Governments obtain a vast credit, and borrow for war and other non-productive purposes, such as in the early history of mankind could never have been imagined. The loss of France by individual "prodigals" will not, for ages, be as great as her loss by the folly of the seven months' war with Germany. This is, of course, so much to be deducted from the capital of the country, but nevertheless the sum so borrowed tends to raise the rate of interest, and thus to augment the means of future saving by those who wish to save.

At the present day, therefore, the amount of saving in a nation depends, as we have seen, on the amount of the annual income out of which saving is to be made. The disposition to save out of it (varying in different classes), and the efficiency of saving in creating new capital, depend partly on the rate of profit and partly on the rate of interest. And from this saving arises the annual increment of capital—the amount of yearly addition to it; but there is also a yearly decrement—an annual waste. The amount of this depends in such a country as England mainly on the amount of unsuccessfulness, of absolute loss in business. Certain adventures not only bring no profit, but never return the capital spent on them. The liabilities of bankruptcy estates in England, including liquidations and compositions, but excluding public companies, in 1870 were £17,456,000; the apparent assets were £5,382,000; the difference therefore, or £12,074,000, was so much pure loss. And there is much other loss in business which does not figure here.

To this must be added the loss in such a country and age as ours—usually loss by private prodigals and by State follies. If we could only know the amount of the diminutions and augmentations in any nation, could deduct the one from the other, we should know the increase of the capital during this time by that nation.

We must be careful, however, to observe that our account of the growth of capital is only applicable to such times as ours —to times when the division of labour has been carried out, and where almost everything is produced by one man for sale to others. The result of this is that every sale changes a man's

product into a form in which he has the choice of saving or not saving it. The money which is the proceed of the sale may either be spent on immediate enjoyment, or set aside in some way for the future. The incomes of men are in an adult economic society received in an *optional* medium. But in early societies this is not so. Things not being produced for sale are only what they are by nature; there is no choice in the way of using most of them; they are by their essential character either fit for present use, or fit to be set apart for the future. They are very rarely in the same degree fit for both. Defoe illustrates this better than many graver authors.

Our account of the growth of capital also assumes that men can always find something to save in, that a person who wants to provide for his future wants, can do so if he will give up present ones. But this is not true in early times at all. Most primitive wants are for rapidly perishable things; and it is of no use to keep a store of those things. If you do, you will be "keeping stale fish," you will have sacrificed the present without obtaining the future; you will have that which was of use once, but now is so no longer. "Food" is the greatest want of early times. But most food—vegetable or animal—will not of itself last long. It is of no use for a tribe of hunters to set aside the game they kill. It is not till the pastoral age has arrived that men have any means of storing up the food they require. The first "granaries" of men were, if the phrase be allowed, "live granaries"; the flocks and herds which walked the fields, and could be left, when not wanted to be slaughtered, where they were. Clothes, the second great want of man, are always short-lived, and it is not much use to store them up. There was, in early times, no mode of supplying those wants for the future; men had to live from hand to mouth.

COST OF PRODUCTION.

I.

Many persons are much puzzled by the phrase exchangeable value—not only outsiders and learners, but even practical thinkers on the subject use it awkwardly, and do not feel that

the idea is vivid in their minds. And, if we look at the matter historically, it is very natural that this should be so. No nation —no set of persons—who did not possess a fixed and efficient money ever attained the idea. Nations which only use barter know that a certain amount of one or two common things mostly exchanges for a certain amount of one or two other things;—but they have no conception of the "value" of one thing as against *all* other things. This idea is only gained by the use of money as a general common measure. By measuring all things—not one—against one, men come to be able to measure them against one another. "Price"—price in money —is the foundation of the economic idea of exchangeable value. But though it is the foundation of that idea, it is not the whole of it. "Money" is a commodity like any other, and it tends to fluctuate in the ratios in which it exchanges with other commodities, from chances affecting itself, just as they do in relation to it. At any single moment if you know the "prices" of all articles, you know their relative exchangeable value. But when you come to compare one time with another—say, the prices of to-day with those of this time last year—you might be much puzzled, for possibly all might have risen or all might have fallen. And this would have arisen not from anything which related to the things measured, but from something affecting the measuring instruments. What we mean by exchangeable value in Political Economy is not actual price, but perfect price, —the ratio in which everything exchanges against all other things—measured, not, as it is, by the intrinsically valuable measure of money, but as it would be against a similar measure which was invariable intrinsically.

We must bear in mind that on no two days, indeed at no two minutes, are the rates at which things exchange for one another at all the same. The price list of the Stock Exchange varies from hour to hour, and so do the prices in other markets. General "exchangeable value," which is the sum total of price lists, is, therefore, incessantly altering. The fact which it denotes is one of the greatest complexity with which any science can have to deal, and it is no wonder, therefore, that most imaginations find it hard to get and keep a hold of it. Incom-

parably the best way to aid them in this, is to make an hypothesis, and to assume that money is of invariable value. Of course this is an hypothesis not coinciding with fact. On the contrary, it leaves out a whole range of facts. But if we are careful with it—if we remember what are the omitted facts, and make corrections for them if necessary—the hypothesis is of the greatest use. The figures of price are, in this case, like the symbols of Algebra; they hedge-in the mind to a definite thought.

But as a matter of fact, in markets, though monetary changes of price are incessant, yet general relations are constant; and in a former page we saw that in relation to articles which human industry can indefinitely multiply, and which it does so multiply for the hope of profit, and within a "nation" in the economic sense—that is, a group of producers within which labour and capital freely circulate—these constant relations are fixed by the "cost of production". What, then, is this cost accurately? It is in relation to this that we shall find the hypothesis as to fixed value of money especially useful. All other modes of dealing with the subject are apt to leave the mind of the reader somewhat dull and stupid, and to make him, though convinced at each step of the reasonings, not quite sure of the effect of the whole.

This cost of production in a mature state of industry and where there is a strict division of persons into capitalists, artisans, and labourers, is the cost at which it would "pay" a capitalist to produce a given product, and the word "pay" means that he must have his "outlay," the money he has expended, returned to him, and that he must have, over and above, so much, by way of profit—so much "to the good," as we commonly speak—as will induce him to make the production. Translated into more abstract language, you can say that the capitalist must be in possession, or have the means of possessing himself, of certain articles, possessing exchangeable value; that those articles are parted with, or destroyed in making the product, and that he must have articles of equal exchangeable value returned to him by the exchange of his product, together with a profit. But though a most valuable way of speaking for some

purposes, for those of common exposition, this abstract way is inferior to the more concrete way.

A great deal of the indistinctness which often hovers round the subject arises because those who think of it do not enough trace the matter as it runs through the mind of the capitalist. In our modern production all depends on him. It is he who settles what undertakings shall be embarked in, and what not; which things shall be made and which left unmade. The price at which a thing can be bought is the price at which the capitalist will undertake to lay it down; if you want to know why one thing is cheap and another dear, you must analyse in each case the calculations of the capitalist.

The first and most obvious thing which a capitalist must do, is to pay his wages. Labour—the muscular and mental force of man—is a main element in almost all kinds of production, and the principal one in many. But we must be careful not to imagine that this labour which the capitalist purchases is one thing. It is hardly even one *kind* of thing. The labour of a ploughman is distinct from that of a clerk; that of a clerk from that of an engine-driver; that of an engine-driver from that of a cabinet-maker, and so on without end. The difference between these various kinds of labour is in a great degree the consequence of acquired habit. Each man is trained in his department, and in it, therefore, he acquires a skill. These various kinds of training go down to very low degrees—to the "navvy," who just knows how to dig out plain earth,—and runs up to the most accomplished artisan—the maker of astronomical instruments (say) who can turn out work of the finest and most minute accuracy, and to a great extent knows how he does it, and how that accuracy is acquired. There is a common coarse sort of human nature which can be taken a certain way in any pursuit, but which will not go very far; and over and above that, there is a finer element which can only be taken in one direction, or some few directions for which it has an affinity, and which is often accompanied by an incompetence to go even the first step in many others. Out of these natures specifically inclined to it, each trade gets its best labourers. The capitalist in each line has to try the various sorts, if he can get them, and to

pay higher for the finer sorts. I say, *if* he can get them, because a main key to the reason why industries are distributed apparently so capriciously over the face of the country, is to be found in the power of being able to buy easily and cheaply *all* the kinds of labour which each kind of trade wants. In a place where a trade has long been carried on, all these tend to accumulate; a family tradition carries them on from father to son, and the whole mind of the place comes to be full of it. The language of the district soon assumes that you know it, and those who do not are a kind of aliens. "As water" in all cases "comes to the river," so the place where a trade has long been carried on tends to attract those who by nature like that trade, and feel that they are fitted for it. Thus commerce, which, being wholly of human creation, one might have fancied to be very mutable, is really a thing most conservative. It will stay in a place for very many years which has given no natural facility to it,—often which seems to have interposed a difficulty. To get all the kinds of skill suitable for a trade in their proper proportions is a long task, requiring many years; a new place cannot have it for a long time, and an old place for a long time will be superior in this cardinal advantage.

One special kind of labour which almost every capitalist must have more or less of, is what we call his "establishment"; that is, his head men who transmit his orders, or give them to his corresponding clerks; his book-keeping clerks, who keep what we may call his "memory"; and the result of their labour shows what has become of his capital, and whether he is getting or losing. In some trades, as in banking, and some other distributive trades, this kind of charge is one of the greatest; and almost all people in a very large way of business have a large staff of confidential persons whom they know and who know them, and who work together with an efficiency, though often incessantly "having words," which no casual gang suddenly collected can for an instant compete with.

Next, a capitalist must buy his "machines". And there is no reason to take up time and space with saying how various and wonderful they are at the present day. Everybody will remember that, without its being said. What is much more to

our present purpose is to say that outlay on wages has a different effect on the price of commodities from an outlay on machinery. If £100,000 is laid out during the year in wages, that sum must all be returned by the sale of the articles produced in the year. But that is not true of an outlay on machinery. On the contrary, £100,000 laid out on machinery need not all come back so soon. The machinery will last for years,—and the capitalist does not want to have the first outlay returned to him till the very end, when it is quite worn out. Money spent on wages is a lump sum, which the products of the year must return; money spent on machinery a sum repayable by terminable annuity, extending over all the years the machine lasts. Each cotton shirting must by its sale recoup the capitalist for the wages spent in making it; but it need only return to him a small fraction of the cost of the machinery by which it was made, because that machinery will go on making shirtings for many years, and it is the aggregate which must make the return to the capitalist, and not any one.

Machine-making, it is to be observed, is a trade which especially tends to adhere to particular places, because more than any other trade it requires the easy and cheap supply of the exact kind of skilled labour in the exact quantity in which it is wanted. And this you cannot have in a new place. A machine-making factory which would thrive at Birmingham, would starve at the Land's End.

Next, a capitalist must mend his machinery; and this is the most conservative force of all. The number of subsidiary trades which any one great manufacture requires merely to keep its plant going, is very large, and in out-of-the-way spots no one of them, of course, exists. They only grow round the principal trade gradually, and as times goes on. And many of them are subsidiary to several trades. The place, therefore, which has longest had possession of such trades has an incalculable advantage, as far as this item is concerned.

Next, the capitalist, having bought his machinery, must buy the power of moving that machinery. And this is a point on which very many people have no clear notions; there is a difficulty in comprehending the difference between the two,—

a disposition to confound force and wheels. In the old times of watermills and windmills, I am inclined to think that the distinction was clearer; it was then patent that the most elaborate machinery would not move unless there was some external force to push it. But the use of coal has rather mystified the matter. People do not see the pushing power, and therefore they do not believe that it exists. A steam-engine is so large and complex a thing that people in general have no real idea how it moves. The truth of course is that the burning of the coal heats the water, that the heating of the water causes it to expand, that this expansion gives a "shove," and that all the rest of the machine only transmits and passes on that "shove". You must have something like this to start with—something that will produce a pressure, or you cannot move your machinery at all. I have known highly experienced men of business, however, who are very far from clear about this. In discussion as to the consequences of the extinction of our "coal," nothing is more common than to hear it said: "Oh, then we must adopt new forms of machinery". You might as well try by improving and educating the mothers to continue a species without fathers. There is a certain motive "power" in nature which is as essential as any matter to be moved.

This element in the cost of production tends quite in the opposite way to the previous ones; it tends not to keep trade where it is, but to make it move. The best coal mines, the best sources of power of all kinds in each district, are soon appropriated and used. The natural tendency of trade, as far as this element in the cost of production guides it, would be to move incessantly over the face of the world, always touching the best sources of power only—the quickest water-courses, the most exposed sites for windmills, the best coal mines,—and never stopping to exhaust the second-rate sources.

Next, the capitalist must buy the materials which he is to work up with this power and this machinery. And the effect of this item, too, is just like the last. It tends to migration. The principal materials of industry are the tissues of vegetables, the fleeces and skins of animals, and the products of mines.

And commerce is for ever hunting out the places at which such animals can be reared, such vegetables grown, and such minerals extracted. New places are constantly being discovered where these can be done, and manufactures, if not tied by the other items of cost, would be for ever stimulated to move by this one. Then the capitalist must rent the land on which his factory is built, or on which his business is carried on, and what the laws are by which this is regulated we have seen.

Next, he must pay interest on as much of his capital as he finds it convenient to borrow, and as he can get the loan of. And this is a steady cause operating in favour of old countries, because capital has there accumulated and is cheap, whereas in new countries it is still scarce and cannot be borrowed, except at great cost, if at all. As commerce becomes involved and credit complex, more and more of business tends to be carried on with borrowed money; and the comparative cheapness of it in established places of industry is one of the reasons why trades stay there as they do,—why so many of them are stationary, and so few migratory.

Lastly, in many cases, though not in all, the capitalist must make known the goodness—or, at least, must allege the goodness—of his work. Advertising is a kind of outlay which to some extent is essential in all trades, and it takes different forms. A company which hires a showy shop front, a broker who is for ever sending round trade circulars, are really advertising just as much as dealers who insert in the newspapers puffs of their articles; the end in all cases is to sell something, and in the long run the buyer pays for it all.

I have been speaking as if all products were made or manufactured. Common language has no apt expressions for the general ideas of Political Economy. There is no easy mode of describing all the processes by which all sorts of articles are changed by men from the state in which they are worth less, into that in which they are worth more. The case of a manufacturer is the simplest case to the imagination, and I have, therefore, taken it as the standard. Besides it, there are the breeding of animals, the growth of vegetables, and the extrac-

tion of minerals; but any one who has analysed the outlay of the capitalist in manufactures will have no difficulty in doing so for the others;—*mutatis mutandis* it all comes to the same thing, though the words of describing it differ. In all, the capitalist will have to pay wages; to buy co-operative instruments (animals included); to obtain a site; probably to borrow capital; probably to make known the value of his article. His outlay will be on these; and what he has over, after replacing these, is profit. The whole of business in great commercial countries is that of a replacement, with an addition of capital. As a rule, the capitalists of a trade must have their capital returned to them with the profit of the country, or they will not continue in that trade.

II.

One result of these truths is, I think, to clear up the most abstruse discussion in which English Political Economy has recently been engaged—the discussion which Mr. Cairnes raised against Mr. Mill on the "cost of production". And this result is just of the kind which might be expected, for it is in the beginning of arguments that their difficulties are hidden and any one who will really go back to that beginning will be sure to meet his reward. Let us look at the matter a little carefully.

When any article, say a steam-engine, is in our modern state of industry produced by a capitalist maker, it is necessary to repay to that capitalist maker all which he has expended upon it; if it cost £500, and the current rate of profit be a 10 per cent. rate, he must have £550. His capital must be returned to him, and he must have the remuneration for that capital for the risk of losing it, for the trouble of managing it, and so on. But Mr. Mill takes his analysis further. He analyses the cost of production into the "wages of labour," and the "profits of capital," and after speaking of the former, thus proceeds: "Thus far of labour, or wages, as an element in cost of production. But in our analysis, in the First Book, of the requisites of production we found that there is another necessary element in it besides labour. There is also capital;

and this being the result of abstinence, the produce, or its value, must be sufficient to remunerate, not only all the labour required, but the abstinence of all the persons by whom the remuneration of the different classes of labourers was advanced. The return for abstinence is profit. And profit, we have also seen, is not exclusively the surplus remaining to the capitalist after he has been compensated for his outlay, but forms, in most cases, no unimportant part of the outlay itself. The flax-spinner, part of whose expenses consists of the purchase of flax and of machinery, has had to pay, in their price, not only the wages of the labour by which the flax was grown and the machinery made, but the profits of the grower, the flax-dresser, the miner, the iron-founder, and the machine-maker. All these profits, together with those of the spinner himself, were again advanced by the weaver, in the price of his material—linen yarn; and along with them the profits of a fresh set of machine-makers, and of the miners and ironworkers who supplied them with their metallic material. All these advances form part of the cost of production of linen. Profits, therefore, as well as wages, enter into the cost of production which determines the value of the produce."

But this reasoning assumes that all capital comes from "abstinence," whereas a great deal of it does not. What the capitalist in this case really hires is the use of the past plant of the world, whatever its origin. Thus the steam-engine maker hires the use of a whole series of tools and things, going back to the first flint implements, and the first tamed animals. In the first beginnings of that series—the link on which it all hangs—there was no relinquishment of any enjoyment. There was no such "abstaining," as Mr. Mill supposes, and therefore Mr. Mill's analysis fails. He takes us back into a hypothetical history which he does not prove, and which he could not prove, for it is not true.

Further, Mr. Mill's analysis supposes the present organisation of industry—that in which the capitalist buys the force of the labourer and pays him wages—to be the one which began at the beginning. Mr. Mill says: "What the production of a thing costs to its producer, or its series of producers,

is the labour expended in producing it. If we consider as the producer the capitalist who makes the advances, the word 'labour' may be replaced by the word 'wages': what the produce costs to him, is the wages he has had to pay. At the first glance, indeed, this seems to be only a part of his outlay, since he has not only paid wages to labourers, but has likewise provided them with tools, materials, and perhaps buildings. These tools, materials, and buildings, however, were produced by labour and capital; and their value, like that of the article to the production of which they are subservient, depends on cost of production, which again is resolvable into labour. The cost of production of broadcloth does not wholly consist in the wages of weavers; which alone are directly paid by the cloth manufacturer. It consists also of the wages of spinners and wool-combers, and, it may be added, of shepherds, all of which the clothier has paid for in the price of yarn. It consists, too, of the wages of builders and brick-makers, which he has reimbursed in the contract price of erecting his factory. It partly consists of the wages of machine-makers, iron-founders, and miners. And to these must be added the wages of the carriers who transported any of the means and appliances of the production to the place where they were to be used, and the product itself to the place where it is to be sold."

This principle, as applied to existing societies, may seem very obvious; indeed, it is most commonly assumed in popular discussions, both as being true and as being the principle of English Political Economy. But, nevertheless, most eminent Political Economists refuse to regard it as ultimate, and try to get behind it. And, no doubt, in one sense it is not ultimate. There are processes acting on value of which it does not take account. For example, the wages of similar labour tend—though slowly—to be equal in all employments, and it is contended that you ought not to say that the exchange value of an article has arrived at its "cost value" while the wages paid in its production are greater or less than those paid to similar labourers in other employments. Again, the wages of dissimilar kinds of labour bear, as a rule, some kind of

proportion to one another (though the exceptions to this rule are in all societies many, and though some of them last for a very long time), and it is said that we have not arrived at the "cost value" of any article until, in the case of that article, the different species of labour are rewarded in the same proportion that they are in the case of other articles. And, no doubt, if we choose, we may thus define "cost value"; we may say that it is not realised till these conditions are satisfied. But if we do, we must go further, and regard "cost value" as an ideal limit, rather than as any actual thing at all. In truth the conception of the universal influence of the capitalist-employer is essentially modern. We have seen before that capital is scarce in new countries, that it moves slowly, and that the labourer and the capitalist are often one and the same. There is no such separate outlay as Mr. Mill's analysis presumes, and as our modern practice exhibits. On a large scale no such thing is possible till a good available money exists in which wages can be paid; and such a money did not begin till the human race had been working and labouring for many hundred years.

Mr. Mill's attempt to answer the question, "What is the cost of production which determines value?" by saying that it is the sum of the wages of labour and profits and abstinence since the beginning of history, fails therefore at both its cardinal points—for in the beginning of history there was much capital yielding profit which did not come from abstinence, and much labour which was not paid by wages; and this capital and this labour were the seeds of all which now is, and must be reckoned in the list of things that made it, if we add up those things.

Nor do I think that Mr. Cairnes, most acute as he is here, as always, at all mends the matter. He says "that Mr. Mill was wrong in adding up past wages and past profits so as to make a total 'cost of production,' for that neither 'wages nor profits' are properly part of that cost at all". He tells us: "Of all ideas within the range of economic speculation, the two most profoundly opposed to each other are cost and the reward of cost,—the sacrifice incurred by man in productive

industry, and the return made by nature to man upon that sacrifice. All industrial progress consists in altering the proportion between these two things; in increasing the remuneration in relation to the cost, or in diminishing the cost in relation to the remuneration. Cost and remuneration are thus economic antitheses of each other; so completely so, that a small cost and a large remuneration are exactly equivalent expressions. Now in the analysis of cost of production which I have quoted, these two opposites are identified; and cost, which is sacrifice, cost, which is what man pays to Nature for her industrial rewards, is said to consist of wages and profits, that is to say, of what Nature yields to man in return for his industrial sacrifices. The theory thus in its simple statement confounds opposite facts and ideas, and further examination will show that it involves conclusions no less perplexed, and in conflict with doctrines the most received."

But the "cost of production," in the sense in which that cost determines market value, means the "cost" to the person who brings it to that market. In England, at present, the capitalist pays the wages, and he will not do it unless he earns the profit. These pecuniary items are certainly elements in *price*, and "exchangeable value" is only an abstract word for a perfect price—a price which would never alter by changes in the money medium—and changes in which, accordingly, would show accurately the changes in the buying power of things. The pecuniary remuneration to the labourer, and the pecuniary remuneration of the capitalist, seem to me to be essential ingredients in the permanent money price which is to pay them both, for that price must permanently be such as will so pay them, and so pay them adequately.

Again, I do not think that abstinence and labour, or the rewards of them, are the sole elements in the existing cost of production. There is a third, which I call the hire of the present plant—of the existing productive things in the world. Suppose that a man goes into business with borrowed capital only, he will have to pay the "compensation" to abstinence, that is, the interest on capital to the man who lends him the money, and he will have likewise to hire labourers and pay

them their wages. But besides this, he will have to hire machines to make his things. I say hire, not buy, for as far as the "cost of production" goes, this word gives more readily the required idea. A capitalist who has bought his machine gets back his money by an annuity; in the price of each bale of goods which he sells he includes a fraction of that annuity. It is as if he hired the machine and paid so much per bale as a rent or royalty for using it. When he buys the machine he commutes this royalty for a sum down. But he must get it repaid him annually for all that. And this repayment is so much to be added to the interest which he pays on his borrowed capital, and to what he pays in wages. It is an outlay which is a compensation neither for abstinence nor labour.

Cairnes would probably have said that as all the machines so hired were produced once by abstinence and labour, the hire of them was really a compensation to that past abstinence and labour. But here historical investigation again helps us. We have seen that the existing producing things of the world are the growth of a long history—that they are the product of many things, and that they cannot be set down as the products of simple abstinence and simple labour. If you resort to an historical explanation, the first requirement is that the history must be true. No hypothesis or set of abstractions can help here. The appeal is to what has happened in matter of fact, and what is said to have thus happened never did so. And you cannot even confine such reasoning to somewhat developed states of society, for the very essence of this reasoning is to go back into the past and to assume that the cause of economic production has been uniform—has always been the product of the same two stated agencies.

And not only are the real facts of the growth of wealth thus inconsistent with the analysis which both Mill and Cairnes give us of the "cost of production," but they are still more inconsistent with the analysis of that cost which was generally held by the preceding generation of English Economists, and which is constantly to be found in the writings of Ricardo, though what seems to me to be a truer view is, as I shall presently show, to be found there also. This older analysis

considers that "labour" is the sole source of value, and that all things of the same price have been produced by an equal quantity of "labour". But this older theory is evidently more unlike the facts than either of the newer ones. We have seen that these were not true, because they assumed that two factors—labour and abstinence—were the sole sources of wealth. And *a fortiori* the older theory is untrue, for it assumes that a single factor—labour—has alone produced wealth.

III.

The difference which remains over in the hands of the capitalist is his profit. And this is a most essential element in the cost of production, for everything in developed trade depends on him. Unless he brings an article to market it will not be brought, and he will not bring it unless he has enough to repay him for what he does. And what he does is the most intellectual part of wealth—production and distribution. He is to the rest of the people so engaged what the general is to the army. It is he who settles what work operatives shall do, what sums clerks shall add up, how the managing men shall be employed. Not only does he save his capital and does not eat it, not only does he risk his capital, but he manipulates his capital. It is common to speak of the intellectual part of profit as the "wages of superintending wisdom". You might as well call whist superintending the cards. A man who plays cards very ill, will probably "play" his capital just as ill. The same kind of sagacity, the same observation, the same self-restraint are required in both. But though this is required of the capitalist, it is not all which is required. There is quite a different element besides. All business is in the nature of a game more or less difficult; and requires the same sort of faculties, and the same kind of attention, as a game. But in most trades a capitalist has to govern others; a large employer of labour has to govern many men. He has not only to move his pawns, but to rule his pawns. The pieces with which he plays are of flesh and blood, and will not move

unless they like. He has to manage that they shall like. And, unless he is paid for all this, the article will not be made.

Ricardo was the first to give anything like this analysis of the cost of production. We have seen how imperfect, how confused, the analysis of Adam Smith was. Nor was there any great step in the matter made between his time and Ricardo's. The subject was not accurately worked out.

The analysis of Ricardo was, undoubtedly, defective, and he got himself into a difficulty of language which perplexes his writings and puzzles half his readers. Bentham said that he "confounded 'cost' and 'value'". And, in fact, having satisfied himself that things of equal cost of production will in the long run exchange for one another, he came to speak of the effect as if it were the cause, and of the cause as if it were the effect. I do not think he actually confused the two in thought, but he often seems to do so. Not being a highly educated man, he had, as has been said, a curious difficulty in the use of abstract language. He is like a mathematician in whose work there are a good many small inaccuracies, but whose work is still in the main right. Of course such a mathematician is a very imperfect one; the essence of mathematics is accuracy. In the same way Ricardo is a very imperfect abstract writer. The essence of abstract writing is precision, and in his use of abstract words he is defective in precision. Still the fault is of words only. When you come to examine the thought, you find that there was no obscurity in it; that it was perfectly clear in his mind.

It is a much worse fault that he only incompletely seized the notion that in an advanced state of society, where the capitalist brings the labour and offers the article for sale, the cost to the capitalist is that which regulates the value. No doubt, as we have seen, it is easy to imagine a simple society, where the labourers all support themselves—a set of hunters and weavers and fishers—where labour migrated from employment to employment just as one was better remunerated than another, and in which labour being the sole cost of production (that is to say, the labourers owning their own food and using their own tools), it was this migration which adjusted exchange-

able value to cost. But there is a much quicker adjustment when capital is movable, and rapidly changes from employment to employment. What it costs the capitalist together with his profit settles the value. It does so, though the rate of wages for equal qualities of abour may be higher in one trade than another. As long as that is the case, the cost will be higher in the trade where wages are higher; and, therefore, the article produced will sell for more. In the end, labour will in most cases migrate from the badly paid to the well paid employment, and then the labour in both will be equally remunerated, and the price so far as it depends on labour will be the same. But even before this, the cost of production to the capitalist will regulate the price just as much as it does afterwards.

Ricardo might, more than any one else, have been expected to point this out, for he had an infinitely better perception of the quickness with which capital moves than any previous economist, and of the way in which it moves. "Whilst every man is free to employ his capital where he pleases, he will naturally seek for it that employment which is most advantageous; he will naturally be dissatisfied with a profit of 10 per cent., if by removing his capital he can obtain a profit of 15 per cent. This restless desire on the part of all the employers of stock, to quit a less profitable for a more advantageous business, has a strong tendency to equalise the rate of profits of all, or to fix them in such proportions as may, in the estimation of the parties, compensate for any advantage which one may have, or may appear to have, over the other. It is perhaps very difficult to trace the steps by which this change is effected; it is probably effected by a manufacturer not absolutely changing his employment, but only lessening the quantity of capital he has in that employment. In all rich countries, there is a number of men forming what is called the moneyed class; these men are engaged in no trade, but live on the interest of their money, which is employed in discounting bills, or in loans to the more industrious part of the community. The bankers too employ a large capital on the same objects. The capital so employed forms a circulating capital of a large amount, and is employed, in larger or smaller pro-

portions, by all the different trades of a country. There is perhaps no manufacturer, however rich, who limits his business to the extent that his own funds alone will allow; he has always some portion of this floating capital, increasing or diminishing according to the activity of the demand for his commodities. When the demand for silk increases, and that for cloth diminishes, the clothier does not remove with his capital to the silk trade, but he dismisses some of his workmen, he discontinues his demand for the loan from bankers and moneyed men; while the case of the silk manufacturer is the reverse: he wishes to employ more workmen, and thus his motive for borrowing is increased: he borrows more, and thus capital is transferred from one employment to another, without the necessity of a manufacturer discontinuing his usual occupation. When we look to the markets of a large town, and observe how regularly they are supplied both with home and foreign commodities, in the quantity in which they are required, under all the circumstances of varying demand, arising from the caprice of taste, or a change in the amount of population, without often producing either the effects of a glut from a too abundant supply, or an enormously high price from the supply being unequal to the demand, we must confess that the principle which apportions capital to each trade in the precise amount that it is required, is more active than is generally supposed."

From this passage it would have been expected that Ricardo would have said that in the state of industry with which he was here dealing, the cost of production which determines the price was the outlay of the capitalist, *plus* his profit, and that he would so have shown the subject in its true simplicity. But though in many passages he approaches to this clearness, though continually you seem to see the thought in his mind, he never quite utters it. You can nowhere find it in words. The difficulty of applying to real life the doctrine of cost of production, when otherwise explained, comes out in the following passage. "In speaking," says Ricardo, "however, of labour as being the foundation of all value, and the relative quantity of labour as almost exclusively determining the relative value of commodi-

ties, I must not be supposed to be inattentive to the different qualities of labour, and the difficulty of comparing an hour's or a day's labour, in one employment, with the same duration of labour in another. The estimation in which different qualities of labour are held, comes soon to be adjusted in the market with sufficient precision for all practical purposes, and depends much on the comparative skill of the labourer, and intensity of the labour performed. The scale, when once formed, is liable to little variation. If a day's labour of a working jeweller be more valuable than a day's labour of a common labourer, it has long ago been adjusted, and placed in its proper position in the scale of value."

And fifty years ago, when manufactures grew but slowly, and when the arts were comparatively stationary, this mode of speaking may not have been wholly incorrect—at any rate was not perfectly false. But now-a-days the different skill used in different employments varies incessantly; it tends to increase with every improvement in quality; it tends to diminish with every improvement in machinery. Even between the same employment at different times it is difficult to compare it, and between two different employments it is impossible to compare it. In a long time the circulation of labour from employment to employment no doubt brings about a rough and approximate equality. But this is only in a long time; it is a gradual and most incalculable operation. The cost of production would hardly, in any practical sense, determine price at all, if it only determined value after so many years and so irregularly. In fact, capital travels far quicker than labour, and there is some approximate equality between the products of two equal and similarly circumstanced capitals; and "cost of production," when analysed properly, is a prompt and effective regulator of "value".

But though Ricardo did not see this, as it is easy to see it now, he saw more clearly than many people now do that a rise of wages does not entail a rise of prices. As yet I can only deal with the case of a money-mining country; a country of gold and silver mines; whether the fact that money—that the precious metals—are obtained by foreign trade, does, or

does not, make a difference, will appear afterwards. But in the money-mining country nothing can be clearer. Nothing can change relative value except that which alters relative cost of production; what acts equally on all commodities will alter the exchangeable quality of none. If all equal capitals were spent in wages equally—say, if one-half of every £100 was always so spent in every trade, including money-mining—a rise, say, of twenty per cent. would not affect values at all. It would tell on gold-mining as well as on every other kind of production. "Hats," to take Ricardo's favourite article, would be produced at twenty per cent. more cost, but then sovereigns would be produced at twenty per cent. more cost also. And, therefore, there would be no more reason for raising the value of hats as against sovereigns than the value of sovereigns as against hats. The cause on one side is equal to the cause on the other.

This is at present curiously neglected in our common discussions. So far from Political Economy having advanced on this point since Ricardo's time, it—at least, the common exposition of it—has retrograded. In the incessant discussions of late years as to the effect of Trades Unions, it is perpetually assumed that, if these Unions extended to all employments, and if they produced a rise of wages in them all, they would certainly and necessarily produce a universal rise of prices. But the slightest thought would have shown that this rise, at least in a gold-mining country, would act on the gold as well as on the commodities exchanged for gold, and that the effect upon the one would counter-balance the effect upon the other.

Ricardo's conception of the cost of production was over-simplified; it left out part of the truth, and, consequently, gave an undue prominence to the other parts. But the slightest comparison between it and the ideas of Adam Smith will show how great is the advance which Political Economy has made between the two writers. Ricardo's is a first approximation to an exact science; Adam Smith's is but a set of popular conceptions—always sensible, but often discordant.

IV.

But it will be asked, if in each trading country the trader must receive the rate of profit of the country,—what is it which determines that rate of profit? And this is rather a long topic of inquiry.

For popular purposes, it is easy to say that the profit of a capitalist in any undertaking is that which remains after the cost of that undertaking has been satisfied. The outlay must be repaid, and what remains over is profit. But in an ordinary undertaking, say, in making cotton twist, there is this difficulty: a great deal of the outlay is upon machines and raw material, which are the results of previous undertakings, and which must in the long run be valued at the outlay on these undertakings, *plus* the profit at the rate of the time and country, and this profit is exactly what we are in search of. The common trade facts do not give us that which we want to know in a sufficiently simple form.

Supposing one capitalist ordered the whole article from the beginning; suppose the country was one in which cotton was grown; and suppose that the capitalist who grew it made all the necessary machines (including any preliminary ones necessary to make them), it is evident that his outlay would be of one sort, *wages* only. He would have to deal exclusively with labourers, for he would go himself to the root of the matter, and would employ the results of no previous capitals. His outlay would then consist of wages only, and his profit would be the amount remaining to him when that outlay was recouped. He would sell his article, and his profit would be the price, *minus* the wages paid.

This analogy represents the real facts much more accurately than would at first sight appear. Supposing the profits of all trades to be equal, it would represent them exactly. The manufacture of a consumable article is divided, say, into a hundred undertakings by various capitalists. If any one of these were—all things considered—more profitable than the others, capital would leave those others, and would collect in it. The natural tide of capital from the less to the

more remunerative enterprise makes the profits in each part of an entire manufacture equal—which is as much as to say that it makes the entire manufacture just what it would have been had one single capitalist ordered or managed the whole of it from the very beginning to the very end. As we have seen, this doctrine of the equality of profit is but an approximation, but we have also seen that it is a most useful approximation, and what are the corrections to be made in using it. Subject to these corrections, therefore, we can say that the profit on an article—entirely made and manufactured in the same country—is the price of the article *minus* the wages spent on it. But we must reserve an inquiry into the possible profit where foreign materials and machines are used, for there is no transfer hither and thither of capitals between nations, and no consequent equality in the returns on them. We can only return to that case after examining the primitive simple one, where everything is made in the same country.

You say, I shall be told, that the profit is the selling price, *minus* the outlay, but you do not tell us what is the selling price. Nor can it be told without seeing how money is obtained. The price of a thing is the money for which it exchanges, and you must consider the nature of it before you can know what that price will be.

The money of commerce is composed of the precious metals—gold and silver—say, for shortness, gold, which is a commodity like any other. It is raised in the same way as iron, and according to the same laws. The capitalist must have in it the same profit that he has in other trades and no more. But the difference between it and other trades is that there is no need to sell the article. A capitalist raises so much gold, after a certain outlay; he can take that gold to the Mint, and the difference between it and the outlay is the profit. There is no haze about it; no difficult words such as price and value. It is a definite physical quantity—10,000 sovereigns were expended on the mine, and 11,000 came out, making a profit of 10 per cent. The standard rate of profit in money-mining is the rate of profit in the least productive money mine that can keep itself at work. All other profits compare them-

selves with that, for money is the standard of comparison, the reckoning engine.

Suppose it takes a third less labour and a third less machines to produce an ounce of gold; an ounce of gold will exchange for one-third less of other things; its buying power will be that much less; corn, cotton, and all other things, will exchange for so much more of it.

The money price of mining machinery will rise, the outlay of money necessary to work mines will augment, and the return to it, though greater in quantity, will be identical in proportion—will be the same rate per cent. The gold-mines which cannot pay that profit will be disused, just as old worn-out iron-mines are disused, and from the same cause—it no longer pays to work them. There will, however, be this difference, though the rate of profit in the gold trade will be the same, in other respects the trade will have changed. General prices will have altered.

In consequence, more money will be necessary to circulate the same commodities,—to do the same business. The same moneyed capital in the gold trade will produce the same number of sovereigns as before; it will yield as much per cent. The change will be, that the same "moneyed capital" will buy less labour and fewer machines, and the number of sovereigns that make the profit, though the same, will buy less of other things.

At every particular value of a sovereign there are a certain number of sovereigns required to carry on the business of a country. If more than that number is supplied, their value—their buying power—will diminish, and the price of all other things measured against them will rise. The machinery and labour by which sovereigns are made are a part of those other things, and their price will rise too. The outlay on the production of sovereigns will augment, and there will be a discouragement to produce them. The price in "sovereigns" of all other articles will have risen, as well as the outlay on their production; the apparent profit in producing them will, therefore, be as before. But though the outlay on a given number of sovereigns has risen, they are in no way better than before.

There will, therefore, be a diminution in the production of sovereigns, and the number in circulation will be reduced to that required at cost value to conduct the trade of the country.

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The money rate of wages is a case of "supply and demand," using those words in the sense in which they have been explained—that is, it is determined by the amount of money which the owners of it wish to expend in labour, by the eagerness with which they want that labour, by the amount of labour in the market which wishes to sell itself for money, and by the eagerness with which the labourers desire that money. This, as we have seen, is peculiarly a case in which the market feelings of the two bodies of exchangers are carefully to be considered. If the labourers are in want, they must take whatever the capitalists offer them; if the capitalists are in want, they must buy the labour on the cheapest terms they can, but get it they must. And the capitalist is as likely, perhaps, to be in want as the labourer. It is true that the distress of the labourer is much more conspicuous, and that he advertises it; he goes about saying: "I am starving, and it is the tyranny of capital which is killing me". But it is also true that the capitalist is in danger of ruin, and that he conceals it. If he cannot complete contracts which he has made, if he has to stay out of a return from his business longer than he can afford, he is ruined. But he will never say this, because it may injure his credit and quicken the coming of the evil. He will lie awake with anxiety till his hair turns prematurely grey, and till deep lines of care form on his brow, but will say nothing. And it is necessary to insist on this now, because our current literature—some even of our gravest economic literature—is dangerously tainted with superficial sentiment. It speaks much of the sufferings of the working men which are seen, and little of those of the capitalist which are not seen. But the capitalist, being a higher and more thinking kind of man, is probably of more sensitive organisation than the labourer, and pecuniary anxiety is a more racking thing than any physical kind of pain short of extreme hunger. The mental feelings of the capitalist must just as much be regarded as those of the

labourer in computing the rate at which the money of the one will be exchanged for the labour by the other.

The real remuneration of the labourer is, of course, not settled by this bargain. Money is of no use to him any more than to others, except for what it will fetch (indeed, as his wants are more immediate he feels this truth more than most others), and of what use it will be is settled by its purchasing power. This is again but a new case of supply and demand in the full sense of those terms. If the labourer is needy and has nothing beforehand, he will not be able to make his money go so far; he will be obliged to take anything which the shopkeeper will give him. At other times, he, like other people, may buy the goods of a bankrupt, "going at a sacrifice". He is also at the mercy of the other causes which raise the price of the articles on which he spends his money. A short harvest will send up the price excessively by diminishing the supply of food which the labourer wants more than anything else in the world; the passage of an army through the district will just as much effect this by introducing new mouths to be fed, who take the food with paying for it or without. The real remuneration of the labourer in commodities is settled by one case of ordinary exchange against money, just as the money price of that labour is settled by another.

It has, indeed, been contended that there is something special in the article "labour" which affects this matter. It is said that if "labour" is not sold on a certain day—that is, if the labourer is idle—that labour is lost in consequence, whereas "commodities" are permanent, and can be sold one day as well as another. But many commodities are, as we all know, very perishable, and are so without changing the principle on which their price is settled. And hiring a man and hiring a horse are obviously acts of the same species. The laws which settle monetary value are the same in the case of labour as in other cases.

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APPENDIX.

NOTE A—(TO PAGE 187, LINE 2, AND TO PAGE 250, LINE 24).

The account of the market price given in the text, though long, and though, I trust, complete enough for its purpose, is not complete, and I should like to add to it a little. Political Economy tends to become unreal if it stands aloof from even the *minutiæ* of trading transactions.

First,—It is assumed in the text that the person who proposes to sell an article is possessed of it, is a "holder," as we say in market language; but nothing can be more untrue than to imagine that this is always so in markets. Many persons perpetually sell what they do not possess, and this great change, as is natural, makes other changes. The buyer's position is not, indeed, altered; very probably he neither cares nor knows whether the person proposing to deal with him does, or does not, possess the article; he thinks only whether the dealer will, or will not, be able to deliver it; if he gets it in time to satisfy the contract that is all which he cares for. But the seller has a new point to think of; not holding the article himself he must consider at what price he will be able to obtain it. This is by no means in all cases an easy matter. The Americans have invented a cant word for an organised mode of obstructing it. A "corner," in their language, is a gang of persons who, having heard that some one has need of a particular article, obtain possession of the whole supply of it in the market, and will only sell it to him at an excessive price. With the great articles of consumption this attempt is futile, the supply of them is too large, and too much divided; but with articles held by few dealers in small quantities—like many securities of minor importance on the Stock Exchange—such a plan is always possible and often profitable; and a person who sells what he has not got must reckon on the risk of it. This is one considerable change from the circumstances of ordinary bargains, and another is that no one makes a sale of this sort to obtain the means of meeting a liability. In common business it often happens that a man must sell at a loss, because he has an "acceptance" to pay next day, and no other means of paying it. But selling that which you do not possess, and which you must at once buy and pay for elsewhere, is of little use in such a strait. It may bring a percentage of profit, but the *corpus* of the capital will not be available for the discharge of pre-existing

liabilities; it will be immediately paid out as part of the transaction which brought it in.

In this case, therefore, the first condition of the formula must be modified, and the early part of it will run :—

"A bargain will be struck when the seller thinks he cannot obtain more from the buyer with whom he is dealing, or from any other;

"When he thinks he can himself obtain the article at a less price, and is willing to take the trouble and incur the risk of attempting to do so."

And the rest will stand as in the text.

Secondly,—There is a corresponding case in which the buyer has not the money, at least not nearly the whole of it, at the time he makes the bargain. In Stock Exchange transactions this is exceedingly common. Many buyers cannot pay for the securities they purchase except by mortgaging those securities; many banks lend on them, taking a ten or a twenty per cent. margin, as it may be. In the cotton and other produce markets there are similar loans. The buyer has only a fraction of the purchase-money himself, he borrows the rest on the goods which are the subject-matter of the transaction in order to complete it. In this case, naturally, there are the two contrary peculiarities to the last; the buyer has to consider whether he thinks he will be able to borrow the money, and whether the terms on which he will borrow it are good enough to make the transaction worth his while. There is, in this case, no fear of his being "cornered," at least not in a large money market like the English; the voluntary operations of no gang, however powerful, would ever prevent the holder of good securities from obtaining money. But the involuntary circumstances of all dealers may prevent him. In a panic there may be no money to be obtained, and he may be ruined by being unable to complete his contract. And at a less excited moment scarcity of money may easily raise the rate of interest to a point so high as to turn the profit he expects on the transaction into a loss. In consequence, the second half of the first condition must be changed into this :—

"When the buyer thinks he can borrow the requisite money, and when he is sufficiently desirous of the article to make him take the trouble and incur the risk of attempting to do so."

Till now, we have been speaking only of what are called "legitimate" transactions—bargains, that is, which are intended to be performed, and which mostly are performed. But there is another great

class of contracts which are not intended to be performed according to their terms, and which are not so performed. These are "time bargains," of which there are some in most markets, but of which the Stock Exchange is the great seat. It is as common as anything here that a man should buy £20,000, say, "Peruvians," for a few days only, never intending to pay for them, and never intending to take them. The seller on his side understands that they are not meant either to be delivered, or to be paid for. The real contract is different from the verbal one; it is that on the day on which the bargain, according to its terms, is to be performed—the account day as it is called—the price of the bargain is to be compared with the price of the day, and that the buyer is to receive the difference, if the price of the day is the greater, and to pay the difference if the price of the bargain—the price at which he bought—is the greater. In plain English, if the price rises between the time of the purchase and the "settlement" the buyer is to have the difference; if it falls, the seller is to have it. The bargain is, in fact, a bet disguised as a sale. Each party is to win if the event he "backs" happens, and to lose if it does not. In this case the bargain will be struck:—

"When the buyer thinks he cannot induce the seller to fix a less price;

"When he thinks this price likely to be less than the price on the future day of settlement;

"When he thinks the chance of the difference he will receive, if his anticipation is right, worth the risk of that which he must pay, if his anticipation is wrong;

"When the seller cannot induce the buyer to name a greater price, and when he thinks just the contrary as to these comparative prices and their resulting difference."

The "bulls" are speculators of this kind, who buy; and the "bears" speculators, who sell, but the object of both is to gain the "difference": the former being sanguine, and thinking the price will rise; and the latter being gloomy, and expecting it to fall. It curiously happens, I believe, that the common outside public are almost always "bulls"—that is, take a cheerful view; and that it is the inside, or professional operator, who expects things to go down. And, of course, the sanguine people are those who lose; the cool inside speculator lives on the folly of the outside world.

Time bargains are, more than any others, influenced by preceding bargains. When a stock is rising, many people will rush to bet that it will rise more; when it is sinking, not so many people—but still

many people—will be eager to bet that it will fall further. People who wish to bet on one side or the other naturally choose the side which is at the moment winning, unless they have a reason to the contrary—and many of these speculators seldom have much reason. In consequence, attempts to rig the market are more successful in this kind of business than in any other. A league of knowing speculators, which can make the market rise a little, will be sure to be imitated by a crowd of unknowing ones, and will be able to make money at their cost.

Of course it is possible to pursue these transactions upon a sound calculation. If a man has a real reason for thinking that a stock will ultimately rise very much, he may succeed by "time bargains" in it. But those who have a sound reason for what they do, and those who gain by it, are few in comparison with those who have only fancies, and who lose.

There is, too, an obvious defect in the formula of the text. It treats "money," meaning all kinds of purchasing power, as if they were the same. But in reality they are different. "Cash" on delivery is better than a sale on credit, or than the best bill at a long rate. The ready-money price of a thing is, in consequence, always lower than the credit price;—at least it is so when the delivery of the article is equally immediate in the two cases. On the Stock Exchange, in the "Consol" market, for example, it is occasionally said that the "ready-money" price is greater than the price for the "account" (the account days are twice a month); but this only means that the stock is very scarce, and that in consequence it is much more convenient to deliver it a few days later than at once. The payment and the delivery are in both cases identical. Wherever there is a real sale on credit the price is always higher than in a sale for cash, because the buyer loses the use of the money for a time; and the credit price is sometimes much greater because the buyer may not be a man in much repute; and therefore, the seller may be disposed to ask a high premium for placing confidence in him, and he may be obliged to pay it.

The use of the formula given in the text will, however, lead to no mistake on this ground, when we know how to construe it. A credit price can at once be reduced to a cash price as soon as we know the time for which it was given, and the degree of trust reposed.

There are also two speculative difficulties which should be cleared away. It is often said that we ought to include in the term "supply,"

or whatever equivalent word we use, not merely the supply which is really in the market, but that which is coming to it—as it is phrased, the "prospective" supply, as well as the "actual". But I think that this would be a mistake. In the first place, it would be quite contrary to the ordinary phraseology of the markets; their language always distinguishes that which is on the spot as the supply *par excellence*. And it is always most unfortunate in an abstract theory to use a word in one sense which those who are most concerned with, and most practically skilled in, the subject of that theory use in a different sense. The consequent puzzles are incessant and important. And in this case the language of the market defines a vital distinction. There is a great difference between that part of the supply of a commodity which can, if its owners choose, be used to make good a contract, and that part which from distance or incompleteness of growth or make, cannot in physical possibility be so used. The actual supply for the purpose of any bargain is that with which the bargain can be performed; this is what ordinary dealers would say they dealt in. The coming supply, near or distant, certain or uncertain, complete or incomplete, influences the opinions of dealers and their wishes; it makes them more or less anxious to keep or to sell the actual supply, but both in practical effect and in scientific conception the two are distinct.

It is also asked whether, when we say that "supply" influences price, we mean estimated supply or real supply. In the formula of the text, I have not used the word supply for fear of ambiguity, but have been careful to say "that I speak of the actual quantity" of the article in the market. The effect of this is very great, independently of the estimate of it, because the dealers who hold it, especially those who hold most of it, are in general somewhat anxious to be rid of it. What each man holds, and what he has to sell, is a much more vital thing to him than that which others hold; a little addition to his own stock is apt to influence him much more than a great increase to the stock in the hands of others. It is the "actual supply" which is the first force in the market, because each bit of it acts on the holder of that bit, and mostly guides him more than anything else.

Of course, however, the "estimated" supply—the notion every dealer has about the amount held by every other dealer—also influences all transactions. It acts on the mental element,—on opinion and on desire. According as it is less or more, it makes the seller less or more likely to think the article is likely to fall, and less or

more anxious to dispose of it. But the estimate of one man will differ from that of another, and the effect on one will be counteracted by the effect on the other,—and we must not confound the chance results of these varying opinions with the steady desire of each dealer to dispose of his own article. In the language of the market, "supply" means real supply, and in discussions about markets, it is much the best to speak in the same way.

NOTE B—(TO PAGE 235).

After quoting Mr. Grote's judgment that Mill was unrivalled in the power to compare opposite theories of the same general facts, Mr. Bagehot, in the article we are quoting from, which appeared in the *Economist* newspaper on the 17th May, 1873, thus proceeds: "In Political Economy there was an eminent field for John Stuart Mill's peculiar powers of comparison. There is little which is absolutely original in his great work; and much of that little is not, we think, of the highest value. The subject had been discussed in detail by several minds of great acuteness and originality, but no writer before Mill had ever surveyed it as a whole with anything like equal ability; no one had shown with the same fulness the relation which the different parts of the science bore to each other; still less had any one so well explained the relation of this science to other sciences, and to knowledge in general. Since Mill wrote, there is no excuse for a Political Economist if his teaching is narrow-minded or pedantic; though, perhaps, from the isolated state of the science, there may have been some before. Mill had another power, which was almost of as much use to him for his special occupations, as his power of writing, he was a most acute and discerning reader. The world hardly gave him credit for this gift before the publication of his book on Sir William Hamilton. But those who have read that book will understand what Mr. Grote means when, in his essay on Mill in the *Westminster Review*, he speaks of Mill's 'unrivalled microscope which detects the minutest breach or incoherence in the tissue of his philosophical reasoning'. And Mill used this great faculty both good-naturedly and conscientiously—he never gave heedless pain to any writer, and never distorted any one's meaning.

"In Political Economy the writer of these lines has long been in the habit of calling himself the last man of the ante-Mill period. He was just old enough to have acquired a certain knowledge of Ricardo and the other principal writers on Political Economy, before

Mill's work was published; and the effect of it has certainly been most remarkable. All students since, begin with Mill and go back to all previous writers fresh from the study of him. They see the whole subject with Mill's eyes. They see in Ricardo and Adam Smith what he told them to see, and it is not easy to induce them to see anything else. Whether it has been altogether good for Political Economy that a single writer should have so monarchical an influence, may be argued, but no testimony can be greater to the ability of that writer and his pre-eminence over his contemporaries."

MATTHEW ARNOLD ON THE LONDON UNIVERSITY.

(*Fortnightly Review*, June, 1868.)

MR. ARNOLD is not only a very interesting writer, but a very bold writer. He has the courage to despise points of form, and to disregard the unconscious expectations which the title of a book naturally begets. In an official Report, presented to the School Commissioners upon "Schools and Universities on the Continent," no one would have expected to find an able criticism of the "London University". But whether in strictness this criticism be quite in place or not, everyone attached to that University will be most glad to have it, as it is one of the acutest which has ever appeared, and the most favourable perhaps that an Oxford man, and attached to Oxford, has ever written. Oxford breeds people who hate her, and these have been favourable to London; but Mr. Arnold loves Oxford, and when he praises a University utterly unlike it, it is an effect of conviction, not a freak of ill-temper. Yet I cannot say that I think Mr. Arnold understands the conditions under which the University of London acts; as is natural, he knows simply nothing of her internal history; he is altogether blind to the latent causes which stop her action. If I were to write on Oxford I should doubtless use what the great Oxford teacher calls "unreal words"—words which would show I had not in my mind a vivid image of the facts; I should not like to say so much of Mr. Arnold—he has studied the University of London far too well; still there are shades and touches which he does not know.

Mr. Arnold is bolder, too, than a mere critic ever can be; he proposes or imagines, at least, a scheme of reform. He

sketches a great future of what the University of London might be, and seems half to wonder that those who rule it do not at once create that future. I have but a few pages before me, but I should like shortly to bring out—what is the great truth which Mr. Arnold so finely inculcates, and, on the other hand, what are the impediments to instant action which those who know the ground and have tried to move where he directs feel at every step.

The charm of Mr. Arnold's language is so exquisite that it is always painful to translate his meaning into other words, and happily the following passage puts his conception of the University and his plan for it very plainly. After speaking of the defects of Oxford and Cambridge, after calling them *hauts lycées* ("finishing schools for the upper classes," as poor Clough used to put it), he then continues:—

"The University of London labours under a yet graver defect as an organ of scientific or superior instruction. It is a mere *collegium*, or board, of examiners. It gives no instruction at all, but it examines in the different lines of study, and gives degrees in them. It has real University examinations, which Oxford and Cambridge have not; and these examinations are conducted by an independent board, and not by college tutors. This is excellent; but nevertheless it falls immensely short of what is needed. The idea of a University is, as I have already said, that of an institution not only offering to young men facilities for graduating in that line of study to which their aptitudes direct them, but offering to them, also, *facilities for following that line of study systematically, under first-rate instruction.* This second function is of incalculable importance; of far greater importance, even, than the first. It is impossible to overvalue the importance to a young man of being brought in contact with a first-rate teacher of his matter of study, and of getting from him a clear notion of what the systematic study of it means. Such instruction is so far from being yet organised in this country, that it even requires a gifted student to feel the want of it; and such a student must go to Paris, or Heidelberg, or Berlin, because England cannot give him what he wants. Some do

go; an admirable English mathematician who did not, told me that he should never recover the loss of the two years which after his degree he wasted without fit instruction at an English University, when he ought to have been under superior instruction, for which the present University course in England makes no provision. I dare say he *will* recover it, for a man of genius counts no worthy effort too hard; but who can estimate the loss to the mental training and intellectual habits of the country, from an absence—so complete that it needs genius to be sensible of it, and costs genius an effort to repair it—of all regular public provision for the scientific study and teaching of any branch of knowledge?"

And again, a little further on:—"The University of London should be re-cast and faculties formed in connection with it, in order to give some public voice and place to superior instruction in the richest capital of the world; and for this purpose the strangely devised and anomalous organisations of King's College and University College should be turned to account, and *co-ordered*, as the French say, with the University of London. Contributions from Oxford and Cambridge, and new appointments, might supply what was wanting to fill the faculties, which in London, the capital of the country, should, as at Paris or Berlin, be very strong. London would then really have, what it has not at present, a University." No one can deny that this is a noble conception; if half of it only could be once accomplished, the University of London would be not only one of the first, but by far the first University in Great Britain. By virtue of its position it could effect more, and secure that what it did should be seen better than any other. London, skilfully picked, would yield a set of professors that no English city would rival; and their teaching would fall on an audience that cannot be equalled in the whole world for number, variety, and, if I may so say, curiously-*invested* intelligence. But yet I could find plenty of men, and those the best friends of the London University, and those to whom she is indebted most, who would discard at once this plan of Mr. Arnold's as Utopian, visionary, and absurd; who would say "the University of

London *is* only an examining body, *can* be only an examining body, *shall* be only an examining body."

Every generation is unjust to the preceding generation; it respects its distant ancestors, but it thinks its fathers were "quite wrong". And this revolt of nature is a principal propelling force, and a power in civilisation; for, without it, some set of strong men, consistently acting for a few generations, would soon stereotype the world. Yet this tendency is as unamiable as it is unfair, or even more unamiable. We enter into the fresh riches our fathers made for us, and at once we begin to say they are not the right sort; we enjoy and we grumble. We live in the house, and we say, "If *I* had been the builder, that corner would not have stood out; if I could have had my way, the stairs would have been of oak; and how very obstinate my father always was about the smoke in the kitchen!" But we forget very likely that we are of a weaker force and more inefficient mind, and that, if we had had to build, probably there would have been no house at all. Just so with the London University. We, who were educated at it, grumble at much of it. I at least have often done so, and have often heard others. But yet I know well how much the founders of the University have done; how difficult in their case was every sort of success; how easy every sort of failure. If some of us who criticise had had the founding of the University, I fear it would not have lasted till this time.

Thirty years ago it was a great step to establish an independent and examining University. That improvement was a purely English idea, but like so many English ideas, it existed only in solution; it was there, but it was hidden. Just as the English are the inventors of Cabinet government—of government by a committee of Parliament which can dissolve Parliament, and just as we have hidden away this masterpiece of polity under an historical growth of King, Lords, and Commons, and a pompous theory of three branches—just so we invented a *testing* University—a University distinct from the studies whose effects it verified. I fancy we came upon the idea by chance. The University of Oxford, for example, had ceased either to examine or instruct. Adam Smith, a Scotch Balliol

scholar, tells us that when he was there the University had given up even "the pretence of teaching". "The examination at Oxford," said Lord Eldon, "was a farce in *my* time. I was only asked who founded University College, and I said—though, by the way, the fact is very doubtful—King Alfred." Possibly the Tory Chancellor exaggerated a little, but still he is an excellent witness against Oxford. At the nadir of that University, it neither examined nor taught. Then some strong men revived the College teaching. When the Scotch reviewers attacked Oxford, Coppleston was able to show that Oriel College taught better than any school in Scotland. Then improvers tried to amend the University, but there was no longer any room for its tuition; there was better tuition already; so they revived the examining function, and suggested the new idea of a central verifying body surrounded and aided by many instructing bodies. Historical nations, I apprehend, mostly come upon their improvements in some such way as this. A miscellaneous *débris* of old things has come down to them, and, without much thinking, they pick out of the heap the particular bit that looks best for the particular matter in hand. The inestimable gain of historical nations is, that they inherit this mixed mass of materials; and their countervailing disadvantage is that the accumulation of old *débris* hides the shape of the work, and that they have no plain intelligible theory to bequeath to common nations which must build *de novo*.

At any rate, when the London University started, the notion of a University which did not teach those whom it tested, was very strange. Even when I was a Student, some years later, the outer world did not understand it; there are many to whom the knowledge has not penetrated yet. Even Mr. Arnold, though he recognises the full value of the idea—though he sees that the London University carries it into practice more thoroughly than Oxford or Cambridge, (where, though the colleges as such, do not regulate the examination, yet members of the colleges—college tutors—do regulate it, because they are the examiners);—even Mr. Arnold has a vestige of puzzle on the matter. He knows that the foreign Professors from whom he is fresh, do not understand a University without

tuition, and he dares not tell them that a graduating machine, as Lord Brougham used to say, not preparing for degrees, and therefore conferring them without favour and without the suspicion of favour, is an English creation of the first magnitude.

I acknowledge that there is an excuse for him. He says that a University should "provide facilities for following that line of study systematically, and under first-rate instruction". I should rather say a perfect University would possess an attendant apparatus for such instruction—would be surrounded by sufficient colleges. You cannot "have it both ways"; you cannot obtain an article without paying its price. If you want a University which is trusted without suspicion to decide on the results of tuition, because it has no share in tuition, you must not let it begin to interfere in tuition. But it might retain effectual satellites—those "anomalous bodies, University College and King's College," which give, and were affiliated because they give, appropriate instruction. Years ago many of us contended that no degree should be given by the University of London save to persons trained in, and so to say, vouched for by such colleges; and I still maintain that for "Plato's Republic" such would be the ideal conception. There is no falser notion than Carlyle's that the true University of the present day is a "great collection of books". No University can be perfect which does not set a young man face to face with great teachers. Mathematics in part may teach themselves, may be learned at least by a person of great aptitude and at great cost of toil from written treatises; but true literature is still largely a tradition, it does not go straight on like mathematics, and if a learner is to find it for himself in a big library, he will be grey-headed before his work is nearly over. And besides "character forms itself in the stream of the world"—by the impact of mind on mind. There are few impacts so effectual as that of ardent student upon ardent student, or as that of mature teacher upon immature student. I concede to Mr. Arnold that a perfect University would be attended by appropriate colleges for teaching its students, and would grant its full degrees to no one not so educated. But in the London University we could not attain this, though we tried.

Some of the very strongest among its founders thought the collegiate system an English superstition, and believed that examinations were enough alone. And also there was the great difficulty that good colleges cannot be found all over England; that it would have long retarded the work of the University to confine its examinations to the very few colleges that would be worthy the name; that almost at the outset many bodies that were only high schools had been affiliated—that many others quite equal were asking to be recognised, and could not be refused except by an invidious and unjust distinction. In the London University the collegiate system had not a chance, for there were far too few good colleges, much too many schools claiming to be colleges which were not, and a senate which did not believe in colleges.

But though Mr. Arnold would do harm if he persuaded the University of London to descend into the arena and become one of the trainers of the students it examines, though he could not find suitable colleges scattered over England to give effectual instruction, yet I think he has hold of a great idea, which ought to be separated from the less valuable elements with which he has mixed it. I believe that it is a misconception to regard a University as having but two possible duties —that of examining students, and that of instructing those students; I believe it has a third duty—a duty to the world. Mr. Arnold gives some outline of the history of the French Universities; he goes back to times when France was the metropolis of European learning in the same sense that Germany has been lately; he tells us of the great times of the University of Paris. "Hither," he says, "repaired the students of other countries and other universities, as to the main centre of mediæval science, and the most authoritative school of mediæval teaching. It received names expressing the most enthusiastic devotion; the *fountain of knowledge*, the *tree of life*, the *candlestick of the house of the Lord*. 'The most famous University of Paris, the place at this time and long before whither the English, and mostly the Oxonians, resorted,' says Wood. *Tandem fiat hic velut Parisiis . . . . . ad instar Parisiensis studii . . . . . quemadmodum in Parisiensi studio*

. . . . . says the rules of the University of Vienna, founded in 1365. Here came Roger Bacon, Saint Thomas Aquinas, and Dante; here studied the founder of the first university of the Empire, Charles IV., Emperor of Germany and King of Bohemia, founder of the University of Prague; here Henry II. in the twelfth century proposed to refer his dispute with Becket; here, in the fourteenth, the schism in the papacy and the claims of the rival Popes were brought for judgment." And this account implies what everything confirms, that Universities in their first age not only taught and examined young students, but influenced society at large, gave lectures which broke up adult thought, diffused ideas which interfered with fixed creeds, and which were felt as powers even by those who disagreed with them. The Universities in that age had a social function as well as a national function; they influenced the whole grown-up society besides teaching particular young students.

This is what I understand certain reformers to mean when they ask that the University of London should be made a seat of learning. Professor Seeley, one of the most skilful of living writers, says:—"With our present habits of thought, it is not very easy for us to conceive a real University. We understand competition; that means fighting. We understand trying for fellowships; that means money-making. But the University proper has no connection with either of these intelligible things; it is neither an almshouse of pensioners, nor a cock-pit of competition, but a seat of learning." If I interpret aright, Mr. Seeley means that a University ought to have about it a set of men who live in the still air of science and learning, who are to influence their age, who are to make, if they can, some kind of impression, not upon "the masses," for that would be absurd, but the augmenting number of cultivated and half-cultivated people.

I believe that there never was a time in English history when there was such an appetite for knowledge. The visible success of physical science has awakened a sort of craving to know about nature which nothing before ever resembled. That sort of knowledge has been tested by "results," and no

one can impugn the answer which they give. Railways, telegraphs, steamships, are so many "marks," which count for much in the perpetual examination of knowledge by the world. Years ago, when Lord Bacon wrote the *Advancement of Learning*, it was not very easy to find a sharp conclusive proof that any difficult knowledge was good. The obvious pursuits, as contemporary languages, reading, writing, speak for themselves, and want no advocate. But when the claim of any hard, settled study came to be set forth, the case was laboured, and the effect of its exposition, though conclusive to the best minds, was very dubious upon all others. But now there is, at least, one kind of very hard knowledge which works its own way, needs no pushing, makes every one admit that some one ought to know it, and makes most people wish that they themselves knew it. And the definite fame of this so to say advertised knowledge extends into other and distant regions. All other modern sciences, such as geology or ethnology, which have no plain influence on visible machines, nor palpable effect on indisputable results, share the repute of the more effectual sciences. The method is the same; the evidence, to those who know it, of like character. And to the world at large "science" is one entity; it is the force which sends quick messages, which makes fast trains, which helps ships to sail safely. All the world wants to know about science; there is an irritable accumulated curiosity in us and about us, such as history never saw equalled.

All branches of knowledge share in this curiosity more or less. There is a sort of feeling that we do not know where we stand in things, and that we ought to know; that the "modern spirit" rules or questions most things without knowing how far it denies them and how far it confirms them—at least without knowing it broadly. Modern science is indisputably developing a new temper of mind; something which as a diffused mental habit the ancients had not, the Middle Ages had not, till now modern times had not. An instinct of revision is felt to be abroad in human opinion, of which thinking men want to know the direction, and wish, if they could, to see the end. There is a dissatisfaction with old beliefs, a difficulty in finding

satisfying new beliefs, which engenders a passion for true teaching.

There is another co-operating force. Now-a-days mankind are thrown into big cities where they have little to do; where they are loosely connected with, and see very little of each other; where they want something on which to employ their minds. Formerly people lived in country towns, where there was a sort of impact of mind on mind—a perpetual contention and reaction—a formative process, though often a violent and barbarous one. In a small town with a few streets and a common life, every one knew every one, and every one acted upon every one. But among the ninety families who live in the ninety similar houses in New Street, Hyde Park, not five know one another. And most of them know no one else well; a certain dull distance pervades everything; occupied men know that they have a "visiting list," but they would come to grief if Mr. Lowe examined them on its contents. A new vacancy of mind is created by new habits which seeks for occupation, and would be very grateful for good occupation. The sort of success which such lectures as those of the Royal Institution at present have show the wonderful appetite there is for such teaching. If the London University could give anything like it, it would give it with greater prestige, greater authority, and, I think, greater attractiveness. People would be attracted by the very authority; they would come there because they knew that the teaching in its kind was first-rate, (whatever, which might often be arguable, was the intrinsic and ineradicable defect of that kind). And a University would be free from the sort of taint which every other lecturing body must have. It would have no wish, it need be thought to have no wish, to be *over*popular; it would choose really learned professors, really sound professors, and would wish them to teach thorough thought.

I suppose the Oxford professoriat has now something like the function I mean. Its functions are not to the students *before* examination, but to grown-up men *after* examination. I apprehend that Mr. Arnold's lectures on poetry had no part or share in the studies of Oxford undergraduates; they pre-

pared men for no examinations; they competed with no college which did prepare them. They were careful "studies" addressed to thoughtful men already educated; they would have been fit for no other audience. I could not find an instance to describe my notion more exactly. I wish to see at the London University many accomplished men addressing high-class lectures to high-class hearers.

But though I have exceeded my limits, I must point out (or I should be unfair) two practical difficulties which Mr. Arnold cannot be expected to divine, but which those nearer well know. Several "movements" have in truth been made in this direction, though no substantial result has been attained —no actual lecture has ever been given; but by means of this experience the dangers in the path are known.

First. There is a great dread of losing the place which the University has gained. It is now admitted to be an impartial judge of teaching, because it does not itself teach,—but if it began to teach, even though the teaching were of a different species, and were addressed to the "after-degree" world, the University might begin to be suspected. On paper this danger may not seem so extreme as it is; but in practice the difficulty of distinguishing the teachings is great, and those who created the University dislike, as by an apprehensive instinct, everything which might undo their work or impair it. I doubt if the present Senate would be willing administrators of a professorial plan, and the conception is so delicate that it would fail if those who were entrusted with it did not believe in it.

Secondly. There is the most dangerous of all difficulties—a religious difficulty. The University of London is now supported by all religious bodies—by orthodox Dissenters, by Unitarians, by Roman Catholics, by English Churchmen. The *dryness* and limitation of its work is a great help in gaining that support; it lessens the number of disputable decisions—it precludes a theatrical prominence in any decision. But yet this combined support by antagonistic bodies has not been gained easily. Years of cautious and conscientious management have been necessary to gain it—so delicate is education, and so scrupulous men's temper. But if impressive lectures

were delivered at the University by conspicuous lecturers, the difficulty would be enhanced tenfold. There might be much in many lectures which many would object to; very often there would be something which some would object to. Gradually it might, and no doubt would, come to be comprehended that the contents of these lectures were not certified to be true by the University; that the University only put forward the lecturer as a man of eminence in science or learning who was worth attention. And in time it would be seen, too, that these superior lectures had nothing to do with the common University work; that the examination system went on apart from and independently of them; that all persons might derive exactly all the advantages they now derive from the examinations, after these lectures were established, and though they might disapprove of some of the lectures. But the task would be nice, success hard, failure easy, and infinite caution would be wanted in the beginning.

These brief remarks on a great subject will explain, I think, why I cannot accept for the London University Mr. Arnold's plan exactly as he puts it and conceives it, but why, also, I believe there is an analogous work which some one must soon undertake in London, which ought at once to be undertaken, and which the University would have singular, and perhaps unequalled, advantages for doing well.

SENIOR'S JOURNALS.

(*Fortnightly Review*, August, 1871.)

MR. GLADSTONE—at least every one alleges it to be Mr. Gladstone—said in the *Edinburgh Review*, that unhappily we scarcely possessed in England the kind of writer who abroad is called a publicist. Indeed it is not very easy to give an Englishman only familiar with English discussions and English ways of thought, an exact idea of the word. But probably the late Mr. Senior, in the last years of his life, came very near to it. He lived among politicians; he spent the main stress of his speculative mind upon politics; he wrote largely upon them. But he had none of the ties to them usual in England. He was neither a practical politician, engaged in real affairs, nor the editor of a political periodical, nor even a stirring writer addressing a large audience. He devoted much of his time to temporary politics, but he always dealt with them in an abstract and philosophical manner. He always endeavoured to deal with the permanent aspects of them, he addressed only thoughtful men, he was a "didactic member" of the republic of letters; and this we suppose is the idea of a publicist.

Many persons may regret it as Mr. Gladstone did, but the fact certainly is that we have very few such writers in this country, and that the tendency of present times is rather to diminish than to increase their number. There is something artificial about the species. That a man of ability should spend a great part of his mind on political affairs, but that he should neither have a practical share in them nor an effective say to a large audience, is not natural. Such a type can exist only in periods of transition, as in despotic countries where the government though absolute will allow discussion, perhaps is moved by discussion, where there are many cultivated men

who wish to read good and long reasonings on political subjects, but where there is as yet no people, no vast numerous class, who wish to read and who will only read short sharp arguments on present issues. As soon as "leading articles" come in, publicists and pamphlets die out. Those who could best write pamphlets are drawn off to the more lucrative trade of writing "leaders". And readers, especially the most important readers whose time is valuable, have so many leaders to read, and are so sickened of the subject, that they will not read a word beside. Mr. Disraeli once compared the great Quarterly Reviews, whose political articles are pamphlets in disguise, to the old mail coaches, which were capital things in their way, but when they tried to start in the present day found that all the travellers had gone on by the train. A quicker mode of travelling has come in, a hastier mode of reading, and a scrappier mode of writing. Fifty years ago, when Mr. Senior began to write, all this had not happened. The English Government was then predominantly ruled by aristocratic politicians, some of whom were reading men, more of whom respected reading though they did not practise it, and beneath whom there was a still larger body of educated men who cared for political discussion, who already possessed some public power, and who were eagerly desirous of more. At that time the grave political essayist could speak to the few, without being shouted down by the many.

That political writing has in consequence declined in this country is certain, at least it has been *minced*. No practical subject can be discussed thoroughly at sufficient length, and with all the arguments set in one view. No observant person could write such things on a pressing practical point, and think they would have any influence on events. On the politics of the hour the great penny papers of the North have infinitely more effect that all the reviews in London. These rule the constituencies, and on great pressing issues rule Parliament too. In time to come they will prevent the existence of publicists, or at least take care that they shall be few, and those few not powerful.

At first it might seem that the change was bad, but I am

not sure that it is so. On the contrary it has one good effect. It prevents the highest class of philosophical minds from worrying themselves with momentary affairs. This is not their characteristic function. They have by nature in a rare degree that in which most men are most deficient—the faculty of abstraction. It is given them steadily to see not only a particular instance, or a few instances, but that which all such instances have in common. They can keep their attention fixed on this common element, and so fashion a doctrine common to all like cases. But when they have made their doctrine, their work is done: when that doctrine comes to be applied in real life a different class of faculties are wanted, and a most opposite set of powers become necessary. A philosopher having a particularly fine vision of the common elements in all cases is apt to be particularly blind to the uncommon qualities of individual instances. As objectors say, he is *doctrinaire*—that is, his doctrine telling him, that "C will happen, because A and B are present, if A and B are unresisted" —he is apt to be very fond of his theory, and some time or other to overlook some unknown and uncatalogued resisting agency, and which modifies or overpowers. A and B changes C altogether. We need for practice a more pliable class of mind, which though not able perhaps to invent a good abstract doctrine, is able to use it when made; and is able, too, to see the resisting agencies or modifying media, which the originator of the theory neither could nor would. The best applier is seldom the real discoverer, and still more seldom is the man who discovers the best man, or at all a good man to persuade others to use his discoveries. The difference between the patentee of an invention, and the capitalist who uses it, is not greater than that between the discoverer of an abstract political doctrine, and the practical politicians, active or rhetorical, who use it.

Mr. Mill is, of course, the standing instance of a philosopher spoiled by sending him into Parliament, and the world. But in a very different way I think Mr. Senior, our last "publicist," was in some sense a spoiled philosopher. And I hope none of his friends will be offended at my saying so, for I intend it

in no bad sense. What I mean is, that he scattered and wasted in a semi-abstract discussion of practical topics, powers which were fit to have produced a lasting and considerable work of philosophy. And I cannot think the practical discussion, as a discussion, very good. Take, for instance, the essay on Ireland, which is republished as a preface to his *Irish Conversations*. It is certainly very dull, and dull in the most teasing way, for you feel that the subject is most interesting, and that the writer is a man of ability, but there is no corresponding result. Your mind is not engrossed as it ought to be, or instructed as it ought to be. In truth, the essay is too abstract for a work on a living subject like Ireland. You always feel that you are reading about an economic island in the air; you are always pausing to think whether something that is not said may not affect and overthrow that which is said. You are never presented, as a writer on real politics should present you, with a living image which impresses itself rightly or wrongly on your imagination as a picture of the subject, and interests and persuades you even more by what it suggests to your own imagination than by the bare words on the paper. If, on the other hand, any one wishes to see what Mr. Senior was really capable of, I should refer him to the collection of Mr. Senior's philosophical essays lately published—say to the review of Sir George Lewis's essay on "Authority in Matters of Opinion"—and unless I am much mistaken, he will find there clear proofs of a speculative intellect of singular clearness and of high force, which it is a pity should have left no equal memory of itself, and which for the want of such is even already fading as time passes and the generations change.

One reason why Mr. Senior's name is sooner passing away than it ought is that he was best known as a political economist, and that it must be owned that of late years abstract political economy—and it was with the abstract part that Mr. Senior dealt—has fallen somehow in public confidence, and that people's minds are a little in doubt about it. One principal cause of this is the set—the most mischievous set in my judgment—which is being made against abstract reasoning in

general. This is due to the rise of an immense class of readers who find, as everybody ought to find, abstractions difficult, and who being incessantly told that they are the great reading public, and the judge of everything, instantly begin to judge that what is unpleasant to them cannot be very valuable. The great rise of "Physics" ought, of course, to have prevented this. Our railways were made, so to say, out of abstract geometry, abstract algebra, abstract mechanics. Even in the kinds of science now most talked of those who can pass a good examination in Darwin's *Origin of Species* must have had some practice in gaining a familiarity with abstract knowledge. But, in fact, "Physics" have had a contrary effect. The thousands of popular students only know the results at second-hand; they have no conception of the processes by which they were discovered. They see brilliant experiments on optics, and because there is so much to see they think there is nothing hard or abstract in the subject; yet if they would try and master the undulatory theory of light which very likely is the basis of these experiments, and that for which they were tried, they would find many and great difficulties—exactly the same sort of difficulties which there are in mastering abstract political economy and applying it to the moving facts of trade and life. A very rapid diffusion of popular knowledge necessarily brings with it a certain dislike and distrust of that abstract reasoning which never can be popular, and which people are only too glad to think unnecessary. And, besides this, political economy has fallen into some difficulty from causes peculiar to itself, and heresies, or what Mr. Senior and other economists of the old school would have thought to be especially such, are daily propounded. I was myself examined by him years ago, in the time of the strict school, at the London University, and I am sure he would have plucked various present examiners and professors. If it could have been revealed to him that persons of authority would dare to teach that profit had no tendency to become equal in different trades,—that the Ricardo theory of rent was a blunder and a misconception,—that it was unnecessary for bankers to keep a stock of gold or silver to meet their liabilities, but that they should buy the

gold in the market when they wanted it, I think Mr. Senior would have been aghast. Yet such is the present state of the science, and naturally the rise of the heresiarchs has diminished the dignity of the orthodox heads. Now that the fame of Ricardo (one of the greatest and most consecutive of English thinkers) is a little dimmed, no wonder that the fame of an able follower of his, and such was Mr. Senior in the main, is much diminished. Secondary fame of that sort, if once lost, is scarcely to be recovered; and, therefore, I fear Mr. Senior's economic writings, or his philosophical essays (very able as several of the latter seem to me to be), will not long keep alive in the world the recollection of what in his own generation was justly thought to be his ability.

Possibly Mr. Senior, who was a shrewd observer of the world, had no confidence in the endurance of his philosophical fame; at all events, he took singular and sedulous pains to provide himself with a substitute in case of a failure. There has been, as we all know, a great deal of discussion, modern and ancient, about posthumous fame, and some species of it have been catalogued. The "immortality of quotation" is one of these. There are many writers really known by some few sentences or some half-dozen stanzas, which every one knows, but all the rest of their works are dead, and no one knows anything about them. And it has been argued whether this kind of immortality of "extract" is or is not desirable or worth having. I believe the better opinion to be that it is worth having; always assuming that any posthumous fame is so. After all, your best words—your most characteristic words—are quoted continually, and have the chance of making a good impression of you year after year if anything of yours can make a good impression. But Mr. Senior has invented, or almost invented, a new and different sort of immortality. He aspired to immortality as a *referee*. He went about Europe, indeed beyond Europe, for he visited Egypt, talking carefully to the best known, the best informed, the most influential people on the affairs of each country, and on general intellectual affairs, and he wrote down the answers. There was no breach of confidence in this, for he told everybody—at

least, everybody of importance—what he was doing; and if they liked, and if there were opportunity, he submitted that part of his journal which concerned them to their revision. His idea, of course, was that by preserving valuable thoughts, setting down on the instant fresh and characteristic remarks, he should earn permanent repute for himself. And if that sort of repute be desirable he will earn it. He will appear at the bottom of pages in many books for many years, as, "See Senior's *Journals*, vol. ii. p. 293". And occasionally, according to the convenience of writers, his name will creep into the text, "according to a good observation reported by Mr. Senior," X Y was true; or, "if we may rely on an assertion made to Mr. Senior, A B was not true". And this will be the reward for years of endless pains and labour. It will not be like the common "immortality of quotation," in which your characteristic words are kept alive; it will be in the slightest sense a name only that will live; no image of Mr. Senior will then be preserved. The reader of after years will know only that a person called Mr. Senior, and about whom he has no other knowledge, was told so and so, true or false, by a Pasha of Egypt, or by such and such a French statesman, and *this* is all the immortality.

A certain peculiar power of asking questions is necessary in this mode. M. Léon Faucher was Prime Minister of France, and Mr. Senior steps up to him with—"Now that I have you for ten minutes, will you tell me what is your plan for a campaign?"—that is, for the policy of his government. No doubt it is a weakness, but there are many men thick-skinned enough in most ways, who could not ask such a question for any money or any fame. And the notoriety that Mr. Senior, as a professed journalist, might ask such questions, led people to be prepared to answer them. As years went on, it used to be said that the value of his journal was impaired, because persons of eminence prepared for their interviews, and corrected (as he was kind enough to let them) their sayings into what they would wish to have said rather than that which they did really say. The conversations thus became minor manifestoes, not unguarded utterances, and so lost their greatest interest.

And independently of having to ask as a habit questions too direct to be pleasant, most people would rather go to the galleys than be bound to put down at the end of a party what was said in the course of it. The pang of the coming task would poison most men's social pleasure. And Mr. Senior often looked as if it spoiled his pleasure. His face had a care down it, as if he was keeping up the recollection of what *had* been said, rather than enjoying what was *being* said. And, at times, not quite gratifying to the speaker, the interest for what you were saying seemed to cease on a sudden (as does that of a reporter when he puts down his pen), as if he thought what was being said was no way remarkable, and that he would rest himself by not attending to it. To gain an immortality of referential citation, Mr. Senior certainly sacrificed much social enjoyment and some social popularity.

It should be seen, however, that most people could not gain that immortality by any sacrifice. First of all you must be something or somebody before the first people in foreign countries will speak to you freely, or indeed at all. Mr. Senior went abroad as a celebrated English economist, and with strenuous introductions from the most powerful and best people in England whom he had the gift of knowing. And what is more, he had the rarer gift of being able to use those introductions well. There was nothing in his daily pursuits to give him that knowledge; on the contrary, by profession he was an equity barrister, and he has himself described how difficult, how almost impossible it is, to get any foreigner to comprehend what "equity" in England means; and with much exaggeration, yet not without some truth, Political Economy, as Mr. Senior understood it, has been called an "insular science," of which the authors were Englishmen, which assumed in the beings so treated of conditions and qualities hardly to be met with out of England. But Mr. Senior was an "International Man," well able, as many volumes of "conversations" prove, to enter into the thoughts and report the words, not only of one sort of foreigners, but of various sorts. And the number of Masters in Chancery of whom this can be said is very small indeed.

Certainly, however, as was perhaps inevitable, the conversations are reported a little drily, and scarcely at all dramatically. Everybody speaks the same language—a French lady, a Pyrenean peasant, an Italian statesman, all use the same grave and cultivated words; all shape their sentences in the same clear, but rather formal, fashion. Nor is there much play of dialogue. In the best cases Mr. Senior's object was to get at the thoughts of some one eminent man, and that he has given us, but he left inferior speakers to shift for themselves. And in all cases the thoughts appear in their driest—we might say in their most algebraic form; it might be all about A, B, C, S, and E, F for any life there is. Mr. Senior gives us what a man said, but not how he said it; he does not make us know them better for having said it; and this because he either did not notice, or disdained to set down, the little traits and intricacies which distinguish one man's conversation from another. He rarely tells us whether a great statesman is tall or short; never mentions what sort of a coat any one wore; he shows no man "in his habit as he was".

In the substance of the two volumes of Journals now before us, Mr. Senior was very fortunate, for they turn on the two most prominent parts of foreign politics—the condition of the Pope, who, if he be not restored to temporal sovereignty, is sure to be in "continual claim" for that sovereignty much longer than the lives of any of us; and the state of France, which is "always with us," an unequalled source of care, and an everlasting subject for excellent writing. At this instant almost every one will turn to the French journals, but this extract from the Roman journal of 1851 is worth reading:—

"Dr. T. came to take leave of us. He is going to England, and describes the formalities which attend the grant of a passport to a Roman. First, he must have the consent of his wife; secondly, of the curate of his parish; and, thirdly, a certificate from two persons in the confidence of the Government that he behaved well during the Revolution. 'But,' I said, 'if the wife or the curate refuse to consent, what is the remedy?' 'In respect of the curate,' he said, 'there is none. He is the sole judge of what is favourable or unfavourable to the spiritual health of his parishioners: and if he thinks that foreign travel is likely to disagree with your soul, you must stay at home. As to your wife, you may summon her before the

tribunal to give her reasons, and if the Court thinks them insufficient you are allowed to go; but there is no saying how long the suit may last."

And this observation from the Duc de Sermoneta, "considered then as now," the editor tells us, "the cleverest man in Rome," is not ungratifying to English vanity:—

"'Assassination,' he added, 'is almost the only classical custom which we have preserved; in other things we are more Turkish than European. Our system of government is eminently Turkish. It consists of a central despotism and provincial despots, whom *they* call pashas and cadis, and *we* call cardinals and prelates, in the provinces. The real successors of the ancient Romans are the English. You have inherited the Roman respect for law and authority, the Roman love for what is established, the Roman fidelity to engagements, the Roman pertinacity of purpose, and the Roman contempt or foreigners. When you commit follies they are all of your own invention. We add to our own absurdities those of every other country. Like the Romans, wherever you go you take all your immunities. An Englishman, or even a Jew who calls himself an Englishman, is *civis Romanus*. He is not bound to put up with the institutions of other countries. He carries abroad with him his amusements, his comforts, his habits, and even his hours. Wherever you go to the *Galignani* follows you. No foreign post-office ventures to intercept it. When I read Cicero's "Letters" I fancy myself reading the correspondence of one of your statesmen. All the thoughts, all the feelings, almost all the expressions are English.'"

I cannot help thinking that this saying of the "cleverest man in Rome" might he coupled with Professor Huxley's dictum that the "English and the Italian are the best brains now extant," and that Mr. Arnold might fitly append both to the next reprint of *My Countrymen*.

The conversations of Mr. Senior on France in 1848, 1850, and 1851, in several parts, are very curious, and would afford easy matter for an article if it were desirable to add another to the innumerable ones already written in England on French politics. But at present I need not do this, nor is there room. I will only take two salient points which these conversations illustrate, make a quotation from them, and then stop.

First, and this is the greatest point of all, no one of Mr. Senior's interlocutors seems to have had the secret gift of correct anticipation. In May, 1848, Michel Chevalier predicted the days of June of the same year; but this, though a very